

COMMERCE, JUSTICE, SCIENCE, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014

THURSDAY, APRIL 11, 2013

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Barbara A. Mikulski (chairwoman) presiding.

Present: Senators Mikulski, Reed, Pryor, Shaheen, Merkley, Shelby, Murkowski, and Boozman.

DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY

STATEMENT OF HON. REBECCA BLANK, ACTING SECRETARY

OPENING STATEMENT OF SENATOR BARBARA A. MIKULSKI

Chairwoman MIKULSKI. Good morning. The Subcommittee on Commerce, Justice, Science, and Related Agencies (CJS) will come to order.

Today is our very first hearing for the fiscal year 2014 appropriations cycle. And we just received the President's budget yesterday and are beginning to look at it. I will have a few quick words about that.

We want to welcome Dr. Rebecca Blank, the Secretary of Commerce, for her testimony on the specifics of the Commerce Department.

But as we begin, really our first order of business—today is the day where many of the subcommittees within the Senate Appropriations Committee are holding their first hearing. The Agriculture, Rural Development, and Food and Drug Administration Subcommittee is meeting as we speak. The Transportation, Housing and Urban Development, and Related Agencies Subcommittee is also meeting. We look forward to a robust schedule and also following regular order.

Since this subcommittee met in a hearing mode, many changes have occurred, one of which is the passing of our beloved leader, Senator Daniel K. Inouye. I really want to thank Senator Cochran who was so helpful to me and Senator Shelby.

Senator Shelby—not only have we been pals and partners from the House of Representatives, but really he played a very impor-

tant role in steering the continuing funding resolution through the U.S. Senate and giving us really the right direction or helpful strategy in terms of what were the parameters, both political and fiscal, that we could get the job done. I just want to say publicly, Senator Shelby, we could not have the continuing funding resolution without your help and the help of your excellent, excellent staff. And I am going to need more from you. We need to be all in it together.

We do have the President's budget, and I just want to give a few quick observations.

I support the President's budget level of \$1.5 trillion. That is the same deal we made 3 months ago in the American Taxpayers Relief Act of 2013, and I believe it will be to \$1.5 trillion that this full committee will be marking up.

In terms of dealing with the sequester, we need a balanced approach, and we call upon the leadership and the President to help come up with that balanced approach so that we can cancel it.

Second, we want to support the President's initiative in having a more focal Government, emphasizing cutting wasteful spending, cutting improper payments, and reducing administrative overhead. We are going to be working with him on that and with our friends on both sides of the aisle to show that this Committee can have a great sense of frugality.

I also want to commend the President's focus on creating jobs, the focus on manufacturing, innovation, and technology, particularly revitalizing infrastructure, be it the super information highway or our real highway, and also an investment in education and training.

I have a very serious concern about his approach to earned benefits and also to Federal employees. But those are comments for another day.

In terms of you, Dr. Blank, we really want to say thank you. You stepped in as the chief executive of the Commerce Department during a difficult time, an illness of a Secretary, but you took it over. But at first you were acting, and you did act. And we want to thank you for that. You provided leadership. You provided guidance. You helped people get through a troubled time. I know what it is like to get a battlefield promotion, and you really carried the mantle of leadership very well.

I particularly want to thank you for the fact that you dove deep into areas that were very complex and were identified by both yourself and the inspector general as really hot spots. An example of that would be in the weather satellites and not only their cost overruns but what is the direction we were going in.

So we want to thank you for your leadership, your management skill, and your willingness to work with us in the spirit of reform where we do the mission of the agency and use our taxpayers' money in a way that we really got value for the dollar. So we want to thank you for it.

We know that the Commerce Department is a major economic engine. The request for \$11.7 billion for the Department also is very important. It includes a particular focus on protecting intellectual property by having almost one-third of the budget, \$3.1 billion, in patent and trademark fees.

Today, I want to examine how these funds will advance America's interests. That is a question we wish to ask. How do we advance America's interests, protecting America's ideas, safeguarding their intellectual property, enforcing trade laws so that while we are advancing our competitive products selling overseas, we make sure we do it?

We also believe that if you invent it here, it should not be stolen over there. So we are going to be looking at how to deal with not only the patent backlog but also the whole issue of cyber security.

The Secretary of Commerce has been a spokesman for American business and the chief manager. With that, again as I have said, you worked on the National Oceanic and Atmospheric Administration (NOAA) satellite procurement, and the census. I have been through three censuses and nobody has ever been happy. The patent backlog and then, of course, the whole issue of cyber security.

The agencies within Commerce are not a conglomeration but a mosaic that if you put them together, really do add to America's competitiveness and safety.

The National Institute of Standards (NIST) is a critical leader in this in terms of setting the American standard. And when I look at products that are going to be invented and sold around the world in a global economy, I want them built to an American standard, not to the Chinese standard. We have got to support NIST, just the way we support our private sector, to be entrepreneurial and come up with the new ideas that are going to be the new products for the new jobs, but they have to be built to standards, and we want those standards to be American standards. And I believe that NIST has a spectacular role and technical competency in working with the private sector to do it. Very rarely—maybe it is because they are not regulatory in the usual sense of that word. And then, of course, in the President's Executive order on cyber security, they are one of the anchor tenets.

This then, of course, takes us to the International Trade Administration (ITA) and also into the United State Patent and Trademark Office (USPTO) so that we can protect our intellectual property overseas.

Then we have the National Oceanic and Atmospheric Administration. Every member of this subcommittee is interested in it, and I see some of my two newest members, Senator Merkley and Senator Shaheen. From fisheries disasters to ensuring that we look out for our fishing industry and also the future of our oceans, we owe it to our communities and to the coastal States who depend on accurate hurricane forecasts and the interior States that demand on tornadoes that are done through the weather. And yet at the same time, many of us know that our coastal areas and the economy associated with it are part of our psychic identity of our States and our economy.

Then, of course, the census will be also something that we will bring under scrutiny.

So we want to hear from you what you recommend, on behalf of the President, the budget ought to be. But you play a very unique role as you move to a new post at the University of Wisconsin—Madison—and we know the Secretary will be leaving May 31, colleagues—to give us a bit of a retro-look back on what you think we

have really accomplished in advancing America's interests and where you think we need to provide additional oversight and stand sentry on it.

So having said that, I would like to turn to my ranking member, Senator Shelby.

I also want to note that we have Senator Boozman who is also joining with us. Are you still on the Commerce authorizing committee?

Senator BOOZMAN. No.

PREPARED STATEMENT

Chairwoman MIKULSKI. So you came over here where the action is?

We really want to welcome all of our new members in the warmest and look forward to working with you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR BARBARA A. MIKULSKI

Welcome to the Commerce, Justice and Science (CJS) Subcommittee's first hearing on the fiscal year 2014 budget. I would also like to welcome back to CJS our Ranking Member and my Full Committee Vice Chairman, Senator Richard Shelby. Senator Shelby and I have worked together on Appropriations for many years, and I'm glad to have him back with me on CJS. Having the Full Committee leaders serve as the leaders of CJS means that this subcommittee will lead by example. We will try to finish our work on time, working across the aisle and across the dome.

In my first 90 days as Chairwoman, we passed the urgent Hurricane Sandy supplemental, as well as the continuing resolution for funding, which avoided a Government shutdown and closes the books on fiscal year 2013. The continuing resolution gave us the certainty that we could keep the Government open, and showed that we can govern. As the Full Committee Chairwoman, I am committed to bringing the Appropriations process back to regular order. I know that Senator Shelby shares this goal.

As of yesterday, we have the President's budget request, and I just want to give a few quick observations. I support the President's budget level of \$1.058 trillion. That is the same deal we made 3 months ago in the American Taxpayers Relief Act of 2013 and I believe that it will be at the \$1.058 trillion level that this Full Committee will be marking up.

In terms of dealing with sequester we need a balanced approach, and we call upon the leadership and the President to help come up with that balanced approach so that we can cancel the sequester. Also, we support the President's initiative in having a more frugal Government; emphasizing cutting wasteful spending, cutting improper payments, and reducing administrative overhead. We're going to be working with him on that and with our friends on both sides of the aisle to show that this Committee can have a great sense of frugality.

I also want to commend the President's focus on creating jobs, the focus on manufacturing, innovation, and technology—particularly revitalizing infrastructure, be it the super information highway or our real highways—and also our investment in education and training. I have a very serious concern about his approach to earned benefits, and also to Federal employees, but those are comments for another day.

Today, we're meeting to examine the Commerce Department's fiscal year 2014 budget request. We welcome Acting Commerce Secretary Dr. Rebecca Blank and Commerce's Inspector General Todd Zinser, who we will speak to a little later. Dr. Blank has been serving as Acting Secretary since June 2012, and has been a leader in the Department since June 2009. I understand that Dr. Blank will soon be leaving the Department to become the next Chancellor of the University of Wisconsin—Madison. Congratulations on your new position.

I want to thank Dr. Blank for doing a fantastic job under enormously difficult circumstances. She has been a true reformer for Commerce. She personally oversaw the accountability to correct the Weather Service Antideficiency Act violations, and responded to NOAA's satellite mismanagement problems. We are sorry to see her go, but we look forward to hearing from her today about the Department's budget and priorities.

The Commerce Department is a major economic engine for America. The President's request totals \$11.7 billion for the department, including \$3.1 billion in patent and trademark fees. Today, my goal is to examine how these funds will advance America's interests in protecting American ideas. This includes safeguarding our intellectual property, enforcing our trade laws, and protecting our citizens with forecasts and warnings about severe weather. It also means protecting taxpayer dollars.

The Secretary of Commerce is the chief spokesperson for American business and the chief manager to fix major challenges at the Department. The Inspector General and the GAO have identified persistent problems that need strong oversight. Namely, these are NOAA's satellite procurement, the next Census and the patent backlog.

The Department of Commerce needs to be cyber-obsessed. It needs to create ways to protect its own Dot-Gov systems, while working with the private sector to better protect Dot-Com. The National Institute of Standards and Technology (NIST), Commerce's outstanding science and research agency, is helping the private sector find new ways to solve today's cybersecurity problems.

The President issued an Executive order in February calling for a national strategy to better protect "critical" U.S. infrastructure from cyber attacks. NIST is a critical leader in executing this executive order. NIST's budget request of \$934 million includes \$95 million for cyber activities. I want to know how these funds will be used to protect consumers' identities and companies' intellectual property.

NIST is not the only agency standing sentry to protect American innovation. The International Trade Administration (ITA) enforces our trade laws and agreements, and protects entire American industries. ITA's budget request of \$529 million includes \$20 million for the Interagency Trade Enforcement Center, which increases our ability to challenge unfair trade practices.

The United States Patent and Trademark Office (USPTO) protects American ideas and inventions, which are the heart of prosperity and jobs. While the USPTO has made progress in reducing the patent backlog over 650,000 patents are waiting for approval, and it takes 2½ years to grant a patent. I also want to make sure that USPTO's networks are secure. American inventors are filing applications electronically. We must make sure the filing process is secure so no one can steal inventions that Americans worked hard to create.

When it comes to protecting people, every member of this subcommittee is pro-weather and pro-science. America has experienced several severe weather events these past few years, and scientists suggest that the freaky weather will continue. NOAA's satellites need to be fit for duty. We owe it to our communities—to the coastal States that depend on accurate hurricane forecasts, and to the interior States that depend on timely tornado warnings. Commerce's budget highlights new reforms to NOAA's satellite programs in response to recommendations I made to move these programs to NASA, and of critical reviews made by outside groups. I welcome these changes, but remain critical and skeptical of the stability of these important programs.

The Inspector General has identified several serious issues that continue to challenge the Department, particularly the planning and management of the next decennial census. Controlling costs for the 2020 census remains one of my top concerns, and is a top oversight concern for the Inspector General and the Government Accountability Office. Cost overruns were a major problem during the 2010 census, but the fiscal year 2014 budget request suggests that the Census Bureau intends to reduce the 2020 Census costs back down to fiscal year 2010 levels. I want to know what is being done to keep this cost profile on track, on schedule and on budget.

I want to thank all the men and women of the Commerce Department—all the trade experts, statisticians, patent and trademark examiners, scientists and engineers, weather forecasters. They work hard every day to promote American businesses, protect American ideas and resources, and keep our economy moving forward.

Thank you, Dr. Blank, for your service to the Department of Commerce. We look forward to hearing your testimony.

Chairwoman MIKULSKI. Senator Shelby.

STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. Thank you, Madam Chair.

I am pleased to be working with you again, Madam Chair, on the CJS Subcommittee and I am eager to begin the discussion of the President's fiscal year 2014 budget proposal.

The Department of Commerce—represented today by Dr. Blank—contains some of our Nation’s most important economic development, economic analysis, and science and research agencies, including the Economic Development Administration (EDA), NIST, and NOAA.

The President’s budget proposes a total of \$8.6 billion to fund the Department of Commerce, which is an increase of \$1 billion more than fiscal year 2013. This is a significant increase in funding given our current budget environment, and it is proposed as a new mandatory program. That troubles me a little bit, Dr. Blank.

I hope that you, Dr. Blank, can enlighten us here this morning with the details of the proposal and why the administration is asking this subcommittee to establish a new mandatory program when the mandatory side of the ledger is already growing unrestrained. This is the area of Government spending that most budget experts agree needs to be reformed.

NOAA represents more than 60 percent of your Department’s budget at \$5.6 billion. NOAA provides important support for our Nation’s fisheries, severe weather prediction, and navigation of the waters surrounding our country. NOAA’s work is critical to the shipping industry, as well as the fishing industry, and provides essential support services in the aftermath of a disaster. These are areas in which they excel.

Yet, in spite of these operational successes, which are many, NOAA continues to struggle with a number of significant issues. In particular, managing their ongoing satellite procurement programs remains a challenge and an expense that we need to keep our eye on. I am eager to hear what the Department, working in concert with NOAA, can do to ensure that future missteps do not occur, Dr. Blank.

We also have with us today the inspector general for the Department of Commerce, Mr. Zinser, who has worked diligently to ensure that the entire Department is on the right track. I look forward to hearing about his work on NOAA’s satellite program but also about some of the other financially troublesome areas within the Department and the steps that are being taken to bring these programs in line with the IG recommendations.

PREPARED STATEMENT

The Department of Commerce and each of its components provide essential services to the United States. However, the recurring issues the Congress must contend with each year because of mismanagement of programs or resources or both must stop. I am hopeful that this budget provides not only the resources necessary for the Department but ensures that there is a plan in place to keep the ship righted.

[The statement follows:]

PREPARED STATEMENT OF SENATOR RICHARD C. SHELBY

Thank you Madame Chair.

I am pleased to be working with you on the Commerce, Justice, Science, and Related Agencies Subcommittee again and am eager to begin the discussion of the President’s 2014 budget proposal.

The Department of Commerce, represented today by Dr. Blank, contains some of our Nation’s most important economic development, economic analysis and science

and research agencies, including the Economic Development Administration (EDA), National Institute of Standards and Technology (NIST), and National Oceanic and Atmospheric Administration (NOAA).

The President's budget proposes a total of \$8.7 billion to fund the Department of Commerce, an increase of \$1 billion over 2013. This is a significant increase in funding given our current budget environment and is proposed as a new, mandatory program.

This troubles me.

Dr. Blank, I hope that you can enlighten us with the details of the proposal today and why the administration is asking this subcommittee to establish a new mandatory program when the mandatory side of the ledger is already growing unrestrained. This is the area of Government spending that most budget experts agree needs to be reformed.

The National Oceanic and Atmospheric Administration (NOAA) represents more than 60 percent of the Department's budget at \$5.6 billion. NOAA provides important support for our Nation's fisheries, severe weather prediction, and navigation of the waters surrounding our country.

NOAA's work is critical to the shipping industry as well as the fishing industry and provides essential support services in the aftermath of a disaster. These are areas in which they excel. Yet, in spite of these operational successes, NOAA continues to struggle with a number of significant issues. In particular, managing their ongoing satellite procurement programs remains a challenge. I am eager to hear what the Department, working in concert with NOAA, can do to ensure that future missteps do not occur.

We also have with us today the Inspector General for the Department of Commerce, Mr. Zinser who has worked diligently to ensure that the entire Department is on the right track. I look forward to hearing about your work on NOAA's satellite program but also about some of the other financially troublesome areas within the Department and the steps that are being taken to bring these programs in line with your recommendations.

The Department of Commerce and each of its components provide essential services to the United States; however, the recurring issues Congress must contend with each year because of mismanagement of programs or resources or both, must stop. I am hopeful that this budget provides not only the resources necessary for the Department but ensures that there is a plan in place to right the ship.

I look forward to hearing from the witnesses.

Thank you Madame Chair.

Senator SHELBY. Madam Chairman, I look forward to the hearing.

Chairwoman MIKULSKI. Thank you very much.

I want to note to my colleagues that we have a vote at 11 o'clock. We also have the testimony of the inspector general after the completion of Dr. Blank's testimony and our questions. What I am asking my subcommittees to do is to invite the inspector general to come and give us ideas on oversight of troubled areas that we should be watching and observing, how we also have to avoid techno-boondoggles and to give us advice and direction so we have a sense of frugality and actually smart Government and smart funding. So where there is Cabinet testimony, we will have an inspector general, and I am encouraging my other subcommittee chairs to follow the same. So I hope that even after the vote, if you could return, I think you will find it very interesting. And Mr. Zinser has done a great job.

But now, Dr. Blank, let us hear from you. And any opening statements will be for the record and you can include them perhaps as you have your line of questioning. Let us get to you, Dr. Blank.

SUMMARY STATEMENT OF HON. REBECCA BLANK

Dr. BLANK. Chairman Mikulski, Vice Chairman Shelby, and distinguished members of the subcommittee, I am pleased and hon-

ored to be here this morning to discuss President Obama's budget request for the Department of Commerce for fiscal year 2014.

As we continue to recover from a deep recession, the Commerce Department has helped thousands of American businesses grow, innovate, and compete around the world. Our work remains central to the top national priority of economic growth and job creation.

HIGHLIGHTS OF THE DEPARTMENT OF COMMERCE BUDGET

This request of \$8.6 billion makes crucial investments that are needed to support U.S. competitiveness and build on the progress that we have seen in the past 3 years. I will highlight several examples and then I will look forward to our discussion.

First, the budget includes \$113 million to launch an interagency effort called "Investing in Manufacturing Communities". This will help local communities position themselves to attract inbound manufacturing investment by helping them build an attractive economic infrastructure. The program will assist towns with key projects ranging from research and tech transfer programs to physical infrastructure and improvements to workforce development. Importantly, these Federal dollars will leverage additional private and non-Federal funds. The goal is to accelerate regional economic growth by helping America's communities attract manufacturers and build their supply chains.

Second, in fiscal year 2012, the Manufacturing Extension Partnership Program helped more than 30,000 mostly small- and medium-sized manufacturers. The new budget provides an additional \$25 million more than the fiscal year 2012 enacted level to establish manufacturing technology acceleration centers, each focused on a major area of advanced technology that would help more of these small manufacturers innovate and integrate into our national supply chain.

Third, as many of the world's economies have slowed, U.S. companies will be challenged to build on their record \$2.2 trillion in exports last year. Therefore, the budget proposes a 14-percent increase more than fiscal year 2012 for ITA to work harder to promote key industries and markets where U.S. companies have a strategic advantage. Particularly important in this request is the proposal to hire additional Foreign Commercial Service officers and staff in fast growing markets.

Fourth, and to complement the support in exporting, we propose \$20 million to expand the workload of the new Interagency Trade Enforcement Center, a joint effort with the U.S. Trade Representative's Office, to level the playing field for U.S. business by reducing unfair trade and investment barriers.

Fifth, the United States is positioned to attract a significant share of new domestic and foreign investment dollars due to our expanded domestic energy supplies and decreased energy costs, our increased labor productivity, our projected gross domestic product (GDP) growth, and many other economic factors that are to the benefit of the United States these days. Therefore, the budget includes \$20 million to fully support the SelectUSA Program which works in partnership with State and local authorities to help them attract these investments into American communities.

Sixth, the budget invests in environmental stewardship such as ocean and coastal research, observing, and conservation activities, including \$929 million for the National Marine Fisheries Service.

And seventh, the budget includes approximately \$2 billion to support crucial weather satellite programs which are critical to accurate forecasts and warnings that protect lives and property.

Other ongoing priorities, such as supporting minority-owned enterprises, improving cybersecurity, continuing export control reform, improving public safety communications, and many more are also reflected in this budget.

Throughout the process of defining and developing these priorities, the Department of Commerce has remained focused on responsible stewardship of taxpayer dollars. In this challenging climate, we have made smart and tough choices to cut costs while building on programs that truly work. We are only proposing new investments in areas that have great potential for success, such that ignoring them would be irresponsible.

And we are reducing costs where we can. At the operational level, we reduced administrative costs by \$185 million in fiscal year 2012, an estimated \$176 million in fiscal year 2013, and will project another \$194 million savings in this new budget for fiscal year 2014.

By combining crucial investments with fiscal responsibility, the Commerce Department's fiscal year 2014 budget is a meaningful and timely plan to further strengthen the economic recovery, to stimulate private sector job creation, and to promote American competitiveness for years to come. With each of our 12 bureaus working together, I am confident in our ability to realize that vision.

PREPARED STATEMENT

Thank you and I very much look forward to our discussion.
[The statement follows:]

PREPARED STATEMENT OF HON. REBECCA BLANK

INTRODUCTION

Chairwoman Mikulski, Vice Chairman Shelby, and distinguished members of the subcommittee, I am pleased to be here to discuss President Obama's budget request for the Department of Commerce for fiscal year 2014.

As we continue to recover from the worst recession since the Great Depression, the Commerce Department works to help America's businesses grow, innovate, and compete around the world. Our mission is central to the President's top priority of economic growth and job creation. Over the past 4 years, the hard work of our 12 bureaus and 43,000 employees has helped thousands of entrepreneurs, business owners, and workers. In fiscal year 2012 alone, one Commerce program helped more than 30,000 manufacturers retain or increase sales and jobs,¹ while another Commerce program helped more than 2,700 exporters break into or expand in international markets,² helping achieve yet another all-time record in U.S. exports last year of \$2.2 trillion.

The President's fiscal year 2014 budget request of \$8.6 billion for the Commerce Department makes crucial investments that are needed to support U.S. competitiveness and to create more, good jobs. This budget includes continued support for advanced manufacturing, innovation, and exporting. It also reflects the importance of increasing the flow of business investment into the United States. And, the budget includes foundational investments that protect and sustain economic growth and so-

¹ <http://www.nist.gov/mep/upload/MEP-PARTNERING-IMPACTS-2013-2.pdf>.

² <http://www.commerce.gov/news/fact-sheets/2013/02/19/fact-sheet-national-export-initiative>.

cietal well-being in areas ranging from cybersecurity to high-quality weather forecasting. Finally, the budget reflects the Commerce Department's ongoing Federal leadership in support of scientific research and development, technological advances, environmental stewardship, information collection and dissemination, public safety communications, direct assistance to businesses and communities, and more.

Throughout the process of developing this budget, the Department of Commerce has remained steadfastly committed to responsible stewardship of taxpayer dollars. In this challenging budget climate, we are making smart and tough choices to cut costs while only building on programs that truly work. Moreover, at the operational level, we have reduced administrative costs by \$143 million in fiscal year 2012, an estimated \$176 million in fiscal year 2013, and a projected \$194 million in this new budget for fiscal year 2014. Finally, the budget reflects a commitment to improving customer service both internally and externally by modernizing outdated systems and streamlining services to be even more responsive to the needs of American citizens and businesses.

HIGH-PRIORITY AREAS

Strengthening U.S. Manufacturing and Innovation

This budget maintains the administration's strong commitment to accelerating the growth of U.S. manufacturing. This sector has created more than half-a-million manufacturing jobs over the past 3 years, reflecting the strongest job growth in manufacturing since the 1990s.

There is a powerful link between America's ability to make things and America's ability to innovate, compete and create good jobs. Manufacturing is responsible for 70 percent of our private sector research and development (R&D) and 60 percent of our exports. Among manufacturers, 70 percent rely on patents to protect their innovative ideas.

The fiscal year 2014 budget recognizes that we must build strength in key areas, such as advanced manufacturing, which will be crucial for our economy's long-term competitiveness. The budget invests heavily in the manufacturing expertise at the National Institute for Standards and Technology (NIST), with \$934 million for NIST to continue its research and development work with companies in cutting edge fields such as flexible electronics, robotics, and bio-manufacturing. Within NIST, the budget provides a \$25 million increase more than the fiscal year 2012 enacted level for the Hollings Manufacturing Extension Partnership to establish Manufacturing Technology Acceleration Centers that would help manufacturers adopt advanced technologies and strengthen their supply chains. The budget also provides \$21 million for the Advanced Manufacturing Technology Consortia program, a public-private partnership that will support roadmaps and research to address common manufacturing challenges faced by businesses across the country.

The budget also includes \$1 billion in mandatory funding to launch up to 15 institutes to establish a National Network of Manufacturing Innovation (NNMI). Each institute would bring together businesses, universities and community colleges, and government to invest in cutting-edge manufacturing technologies. The administration has already launched a pilot institute focused on the fast-growing field of 3D printing in Ohio and Pennsylvania, and the President announced that we will be launching three more this year using existing funds from the Departments of Defense and Energy. Importantly, many of our competitor countries have already made major investments in public-private partnerships similar to the NNMI and are experiencing success.

Also, the budget includes \$113 million in the Economic Development Administration's (EDA) budget to launch the Investing in Manufacturing Communities (IMC) Partnership, a program the Department will lead. As part of that, the IMC Fund will help communities, especially hard-hit towns, build the public goods needed to attract manufacturers and their supply chains. It will provide targeted financial assistance to support key projects such as industrial parks, research and tech transfer programs, infrastructure expansion, or workforce development efforts that will spur long-term economic growth. This will involve leveraging private-sector resources as well as other non-Federal funds, with the goal of leveraging \$2 of non-Federal funds for every \$1 awarded by the Fund. Many Federal agencies will contribute to the IMC Partnership aligning the full array of their resources and programs to support these locally driven efforts.

Increasing U.S. Exports

The fiscal year 2014 budget reflects a commitment to building on the recent record levels of U.S. exports of goods and services (\$2.2 trillion in fiscal year 2012) while also ensuring that U.S. exporters can compete on a level playing field.

This growth has been strongly supported by the International Trade Administration (ITA), which has worked hard to implement the President's National Export Initiative. For example, over the past 5 years, ITA has increased the number of cases where U.S. exporters were able to successfully break into new foreign markets by 40 percent.

The budget proposes \$520 million for ITA, a 14-percent increase more than the fiscal year 2012 enacted level, to continue these and other efforts to increase U.S. exports. ITA is particularly focused on: identifying high-potential international markets for U.S. goods and services, promoting key industries where U.S. companies have an advantage in the global market, empowering small U.S. exporters that comprise an increasing share of total U.S. exports, strengthening trade enforcement, and supporting trade agreement initiatives such as the Trans Pacific Partnership and upcoming negotiations with the European Union.

The Economic Development Administration also plays a crucial role in supporting U.S. exports. The fiscal year 2014 budget includes \$12 million for the Regional Export Challenge. This program will assist communities in the development of robust and sustainable export action plans that support jobs, international trade, and export expansion.

ITA's Import Administration will continue to support leveling the playing field for American companies, by administering U.S. antidumping (AD) and countervailing (CVD) trade law remedies which curtail market distortions caused by unfair trade practices by other countries. They will also administer the Foreign Trade Zone program and other import programs that support U.S. jobs. ITA will also continue to enforce U.S. rights under bilateral and multilateral trade agreements as well as through the World Trade Organization.

In addition, the new Interagency Trade Enforcement Center (ITEC)—a joint effort between the Commerce Department and the Office of the U.S. Trade Representative—will work to identify, reduce, and remove unfair trade and investment barriers. This budget includes \$20 million for ITEC to expand its efforts.

Attracting More Business Investments to and Within the United States

Due to a number of factors (decreasing energy costs, increasing labor productivity and comparative cost advantages, projected GDP growth, etc.), the United States is becoming a highly attractive location for business investment by both U.S. and foreign-based firms. Already, foreign companies support more than 5 million U.S. jobs. Maximizing the influx of inbound business investments—such as new facilities and high-tech production sites—in the near future is crucial to ensuring long-term U.S. job retention and growth for decades to come.

Over the past 2 years, the administration has made a strong commitment to promoting the United States as the premier world investment location. The President launched the SelectUSA Initiative—housed at the Commerce Department—which is the first Governmentwide effort to attract more investment into the United States. The fiscal year 2014 budget calls for \$20 million to fully establish this crucial program in which we will partner with State and local authorities who are working to attract more investment in their communities.

SelectUSA serves firms and economic development groups by: promoting the benefits of investing in the United States; responding to inquiries about the U.S. business climate; helping investors encountering confusion, delays, or obstacles in the Federal regulatory process; advocating on behalf of the U.S. Government in large globally competitive business location decisions; offering guidance on rules, regulations, procedures and policy positions that impact our global competitiveness; and offering aftercare to companies that have already invested in the United States.

The fiscal year 2014 budget also provides \$3.9 million for the Bureau of Economic Analysis (BEA) to improve State-level measurement and capture small-to-mid-size investment activity of foreign direct investment in the United States.

ONGOING PRIORITIES

Supporting Invention and Innovation

The budget provides full spending authority for the \$3.1 billion that the U.S. Patent and Trademark Office (USPTO) receives in fees to continue supporting the innovation and intellectual property that is crucial to economic growth and facilitating the deployment of new goods and services into the marketplace. This includes support for the continued rollout of key provisions flowing from the Leahy-Smith America Invents Act.

Supporting Minority-Owned Enterprises

The fiscal year 2014 Commerce Department budget funds the Minority Business Development Agency (MBDA) with \$29.3 million to maintain current efforts. In re-

cent years, MBDA's efforts have helped minority-owned firms attract about \$4 billion in contracts and capital while creating thousands of jobs.

Collection and Dissemination of Valuable Data and Information

The Commerce Department's Economics and Statistics Administration (ESA), including the Census Bureau and the Bureau of Economic Analysis (BEA) is responsible for generating and disseminating timely data, information, and analysis to support effective decisionmaking for leaders in both the public and private sectors. For example, the U.S. Census Bureau provides quality data about our citizens, our communities, and our economy through a number of surveys and other instruments. The resulting information provides an important foundation for fostering economic growth, advancing scientific understanding, and facilitating informed decisions for all levels of government as well as entrepreneurs and businesses.

As the last year of research and testing in advance of the 2020 census, fiscal year 2014 is a critical year for the Census Bureau in which we will establish how best to improve the design and administration of the decennial census. For that reason, the budget includes an increase of \$154.2 million for 2020 census research. Without this level of funding, the Department will not be able to consider the range of design alternatives that will allow the Census Bureau to reach people through 21st century technologies while still controlling the cost of the 2020 census and maintaining quality.

Environmental Stewardship and Weather Forecasting

Prudent management of our Nation's oceans, coasts, and fisheries promotes economic sustainability and ensures that future generations are able to enjoy and benefit from these resources. At the same time, monitoring the ocean and atmosphere is crucial to supporting business activities and local economies while also providing critical information during severe weather that helps to limit destruction and to save lives. The budget provides \$5.4 billion for the National Oceanic and Atmospheric Administration (NOAA), which will help strengthen ocean and coastal science and stewardship while also investing in life-saving weather forecast improvements.

The budget invests in NOAA's ocean and coastal research and observing programs and increases support for habitat and species conservation activities that are essential to restoring and maintaining healthy, sustainable fisheries. Increased funding for NOAA's research and development and Earth Observations activities will enhance the agency's ability to detect, understand, and forecast global and ecosystem changes and provide sound, science-based information to support decisionmaking and to help communities prepare for the consequences of climate change. The budget also supports investments that promote well-coordinated ocean and coastal science and management activities. Overall, the budget provides \$929.3 million for the National Marine Fisheries Service, \$529.2 million for the National Ocean Service, and \$472.4 million for the Office of Oceanic and Atmospheric Research.

NOAA generates tremendous value by advancing the ability to understand and anticipate changes in the Earth's environment and improving society's ability to make scientifically informed decisions. The budget maintains NOAA's essential missions to monitor and model the environment in order to forecast daily weather; warn the public of severe weather; inform communities of long-term trends affecting coastal areas; and support private enterprise with vital information to sustain economic growth.

NOAA's satellites are critical to its ability to provide accurate weather forecasts and warnings that help to protect lives and property. The fiscal year 2014 budget provides approximately \$2 billion to support satellite programs including the Geostationary Operational Environmental Satellite-R Series (GOES-R), the Deep Space Climate Observatory (DSCOVR), the altimetry mission (Jason-3), and the Joint Polar Satellite System (JPSS). As compared to the fiscal year 2012 enacted budget, the two major increases in funding are \$339 million for GOES-R and \$17 million for Jason-3, both of which are expected increases.

We recognize the need to reduce cost and risk to the weather mission, which includes increasing the robustness of JPSS. The budget for JPSS is \$824 million which reflects a number of changes such as: the technical transfer of the Free Flyer-1 mission to a separate budget line called the Polar Free Flyer, the proposed transfer of select climate sensors to NASA, a renewed focus on NOAA's weather mission, and a number of efficiencies. These changes are proposed, in part, because of recent feedback from Congress and the Independent Review Team (IRT). We are currently in the process of completing an Independent Cost Estimate (ICE) for JPSS with options to reduce scope, risk, and lifecycle cost. In an effort to simplify NOAA's mission, the budget proposes to transfer to NASA climate sensors originally planned for follow-on missions to JPSS-1 and Free Flyer-1, including the Clouds and Earth Ra-

diant Energy System (CERES), the Ozone Mapping and Profiler Suite-Limb (OMPS-Limb), and the Total Solar Irradiance Sensor (TSIS).

The fiscal year 2014 budget includes approximately \$1.1 billion for the National Weather Service (NWS) to continue its vital role in providing the weather forecasts and warnings that Americans have come to rely on and that save lives. This budget provides the funding for NWS to meet its operational needs. As compared to the fiscal year 2012 enacted budget, the fiscal year 2014 budget includes an increase of \$16.9 million for labor and operations, and provides increases for weather research, weather modeling, and supercomputing capacity to accelerate advancements in weather forecasting. The budget also supports infrastructure investments to both the NWS Telecommunications Gateway and the Ground Readiness Project to ensure that NOAA is prepared to handle the expected increase in satellite data.

National Security and Export Control Reform

The Bureau of Industry and Security (BIS) advances national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. The budget recognizes the important role of BIS programs and supports its national security mission with a request of \$112 million. This increase of \$11 million from the fiscal year 2012 enacted level supports the bureau's expanded export licensing and export enforcement operations for controlled items which were recently shifted from the State Department to the Commerce Department's jurisdiction due to the President's Export Control Reform Initiative.

Strengthening Cybersecurity

Under the President's new Executive order on Improving Critical Infrastructure Cybersecurity, NIST is helping to lead a broad national effort to develop a "Cybersecurity Framework", working with hundreds of private sector partners. The goal is to promote the adoption of best practices in cybersecurity in order to support both national security and continued economic growth.

This leadership role is an outgrowth of the work that NIST has done in its Laboratory Programs, for which the fiscal year 2014 budget request is \$754 million. The Information Technology Laboratory (ITL), in particular, will develop standards and technology to protect information systems against threats to the confidentiality, integrity, and availability of information and services. In particular, NIST is currently working on initiatives associated with cybersecurity automation, cybersecurity information, and the National Strategy for Trusted Identities in Cyberspace. NIST has also recently established a public-private partnership to operate a Cybersecurity Center of Excellence with the State of Maryland to foster the development and rapid adoption of cybersecurity platforms that support automated and trustworthy government and industry business operations and e-commerce.

Enhancing Public Safety Communications

The Middle Class Tax Relief and Job Creation Act of 2012 allocated \$7 billion of spectrum auction proceeds and valuable spectrum bandwidth towards deployment of a nationwide wireless broadband network (FirstNet) that will enable police, firefighters, emergency services personnel, and other public safety workers to better communicate with one another during emergencies. By empowering them with new public safety communications technologies, they will improve response times, keep communities safe, and save lives. Last year, I consulted with the National Telecommunications and Information Administration (NTIA) to appoint 12 leading experts on public safety and wireless broadband communications to serve on the Board of FirstNet. The Congress also provided \$135 million to NTIA to administer a State and Local Implementation Grant Program which will support the planning work of State, regional, tribal, and local jurisdictions who will work to ensure that FirstNet meets their wireless public safety communications needs. FirstNet will also seek to leverage existing commercial and government infrastructure for the new network.

Reducing Waste and Streamlining Operations

The President's Campaign to Cut Waste strives to use Government assets more efficiently and to eliminate unnecessary spending. Consistent with this, the Commerce Department has moved ahead to realize core organizational efficiencies. We have focused on finding administrative savings through initiatives in acquisition reform, strategic sourcing, travel, human resources, facilities, and information technology.

The fiscal year 2014 budget reduces or terminates programs that are either: lower priority to our critical mission needs, such as the National Undersea Research Program; or have finished pieces of their core work and can operate at a lower funding threshold in fiscal year 2014, such as the Economic Census Program. This budget

also defers some necessary investments, such as a planned replacement of IT hardware and research on late-stage 2020 decennial activities at the Census Bureau, until a future year.

While the Census Bureau requests an increase in funding for the final research and testing year of the 2020 census (see above), this amount actually reflects major revisions to the design plan which decreased our anticipated costs by more than \$100 million. In addition, in comparison to—an fiscal year 2013 annualized continuing resolution funding level, the Census Bureau is implementing planned reductions to cyclical programs, including cuts such as \$55.5 million from the 2010 census, \$20.9 million from the economic census, and \$1.7 million from the Census of Governments. We are also reducing Geographic Support Systems (GSS) by \$10 million through decreases to the Boundary and Annexation Survey (BAS) and the evaluation of partner-supplied files, as well as trimming \$7 million from the Survey of Income and Program Participation (SIPP) as it moves from the old survey panel format to a new, more efficient format.

This commitment to streamlining and reducing waste extends to the Commerce Department's interagency work with Federal partners such as BusinessUSA, a collaboration with the Small Business Administration. Launched by the President, BusinessUSA is a national enterprise assistance network that creates a “No Wrong Door” approach to quickly connect entrepreneurs and businesses with the Federal tools, services, and information to meet their needs. In fiscal year 2012, BusinessUSA released the first fully-integrated online platform that taps into hundreds of national, State, and local resources and events aimed at helping businesses find solutions to their challenges. BusinessUSA also deployed a unique online “widget” which partner organizations use on their Web sites to connect their stakeholders to BusinessUSA. In addition, BusinessUSA initiated a single customer service phone line to field calls and provide program contact referrals. The Department of Commerce fiscal year 2014 budget includes \$3.6 million for BusinessUSA.

Modernizing Commerce Department Assets

The Commerce Department is modernizing several key assets to meet the 21st century needs of its employees and customers. Modernization efforts are important to protect the safety of employees while also providing quality service to citizens and taxpayers. Many of these efforts will ultimately result in future savings.

The fiscal year 2014 budget requests \$14.8 million for the renovation and modernization of its headquarters, the Herbert C. Hoover Building. The complete renovation plan calls for eight phases, and this funding request supports Phase 4 activities and planning for Phase 5. Additionally, this funding moves in consort with GSA's resources and will support an efficient and on-schedule project completion. The renovation provides solutions to replace deteriorating building systems which have aged beyond useful life, including: mechanical, electrical, plumbing, heating, ventilation, air conditioning, and life-safety systems.

The fiscal year 2014 budget requests \$16 million to design a Department-wide solution for an integrated suite of financial management and business applications, replacing the Department's legacy financial system known as the Commerce Business System (CBS). Since 2009, Commerce has been assessing the long-term viability of the 25-year-old CBS and has found that the stability and reliability of the system is questionable. Further, CBS is not certified by the Financial System Integration Office, nor is it section 508 compliant. This funding request provides for the design phase of the replacement system and Phase 1 of implementation which includes modernization of the Census Bureau's core financials, acquisitions, and property activities—critical to ensuring timely migration in advance of conducting the 2020 census.

The fiscal year 2014 budget includes \$5.5 million for the relocation and facility improvements of four weather forecasting offices to mitigate operational risks and maintain continuity of weather forecast and warning operations. These facility repairs and improvements are important to avert unacceptable conditions that will impact operations critical to the Weather-Ready Nation mission to save lives and livelihoods and maintain compliance with weather office standards. The budget also includes \$1 million in one-time funding for a study analyzing alternative observing and research platforms to the current Hurricane Hunter (P-3) aircrafts that are used for NOAA hurricane research and reconnaissance. Although these aircraft will receive service-life extensions in 2015, they will reach the end of their operational lifetimes by 2030 and 2031, respectively.

CONCLUSION

The President's fiscal year 2014 budget request reflects the crucial role that the entire Department of Commerce plays in making public investments that help to ac-

celerate job growth, strengthen the economic recovery, and support American businesses across our country. At the same time, we fully recognize the challenging budget climate in which we find ourselves, and the budget reflects difficult choices that meet the need for responsible reductions.

By combining crucial investments with fiscal responsibility, the budget sets forth a meaningful plan to further stimulate private sector job creation and promote American competitiveness for years to come. With each of our 12 bureaus working together, I am confident in our ability to realize that vision.

Chairwoman MIKULSKI. Well, we note that the Secretary has a more amplified statement and also you will have a description of the actual budget submission. Where can new members get this, Jean?

Ms. EISEN. They have it in front of them and we will distribute it to their offices, Senator.

SATELLITES AND WEATHER

Chairwoman MIKULSKI. Madam Secretary, I want to talk about protecting America, and the first is weather. We know that our military does such a great job protecting us, but really weather protects Americans, whether it is people on farms worrying about tornadoes or in coastal areas about hurricanes. And the world depends upon us for air traffic control and so on.

Weather really begins with our satellites in the sky. We have been deeply troubled about the cost overruns in weather satellites and whether they are modern, and for all the money we are spending, are we getting value for our dollar. You have led a reform effort with us. Would you tell us if we want to have a modern weather service where we are as good as the European model—remember, we all heard a lot about this European model during Hurricane Sandy, but we hear about it all the time. Could you share with us, starting with the satellites and then some other questions, where are we to make sure that we are both modernizing weather? And then I always fear that where there is technology, there is a techno-boondoggle. What have we done to un-boondoggle?

Dr. BLANK. Thank you for that question. I very much agree with the statement that the weather satellites are very important buttresses for what is, I think, the Department's most important priority for protecting life and property, which are our weather forecasting services.

So as you well know, Senator, we have been through a variety of changes in our satellite program. We had an independent team review it this past summer. They were reasonably complimentary about our Geostationary Operational Environmental Satellite-R Series (GOES-R) program, which is the geostationary satellite orbiting program which has been under NOAA's authorization since its very beginning and is largely on budget and on track for a launch later in this decade.

There have been more concerns about the Joint Polar Satellite Systems (JPSS) program, which was transferred over to the Department of Commerce about 2½ years ago because it was a very troubled program where it was currently sited. We have taken a number of steps, particularly over this past year, as a result of the independent review team's recommendations and as a result of some of the very hard questions that you and your team have asked, to improve the management of that program. We have fur-

thermore—this goes to your technical boondoggle question—focused the program on its primary mission: weather. We have a lifecycle cost of \$11.3 billion, which I think is within the cost range that you had asked us to aim. I am quite confident that if we receive the budgets we need to keep these satellites on track, then we will be able to stay within that lifecycle cost.

But I do have to emphasize that both of these satellites are going toward launch, and these particular years are quite critical years for making the progress that needs to be made. So the fiscal year 2014 budget request, which I think is absolutely crucial that this be met in order for these satellites to stay on track in the way that they currently are.

Chairwoman MIKULSKI. First of all, we want to thank you for embracing the spirit of reform. You know that I have been deeply concerned, particularly about the JPSS. Not only were Senator Mikulski and Shelby concerned about it, but the Government Accountability Office (GAO) added it to its top high-risk problems in the U.S. Government and, at the same time, the inspector general, who I know will talk about it, did. I think you have got us on the right track. We want to make sure we have the right resources and, in your departure, that we have the right management and the right commitment.

As you know, I wanted to take the satellites away from NOAA and give them to the National Aeronautics and Space Administration (NASA). I have now stopped that because of your reform efforts. In my mind, the satellite program is on probation, not to cancel it, but where we will continue to do it. And I say to my colleagues keep an eye on this with me because I think this is how we modernize ourselves. This is the building block.

The second question about weather is this: if we need to modernize ourselves, why is the President advocating eliminating information technology (IT) workers?

Dr. BLANK. The proposal is for a reorganization of the National Weather Service (NWS) IT offices. What we are basically trying to do here is to modernize IT services. The current model that we have is one that worked in the 1990s, but it is not one that is currently used in the private sector and it is not one that is considered a best practice in Government either. We want to use de-centralized services, which would mean we need fewer workers out in the field, but we need more expertise at certain central locations. I think this is the best practice model that most of the public and private sector is moving toward. We would like to move NWS that direction. I think it is an important step in both being responsible with taxpayer dollars and modernizing those services within NWS offices.

Chairwoman MIKULSKI. Well, I have many more questions to ask, but we want to thank you and we really want to thank you for your service.

Dr. BLANK. Thank you.

Chairwoman MIKULSKI. Senator Shelby, I am going to stick to the 5-minute rule.

Senator SHELBY. Thank you, Madam Chairman.

Dr. Blank, recent data suggests that manufacturing in this country is experiencing a real resurgence, and we are all happy for that.

This is not because the Federal Government is throwing money at it. It is happening because it makes good economic sense, I believe, for companies to locate their facilities here.

Given that the market appears to be working, as it relates to manufacturing, and the fact that the Federal Government is already making significant investments in manufacturing technology advancement, would it not be more cost effective to allow the market to work and instead support these industries by eliminating some of the severely burdensome tax and regulatory policies that are a true hindrance to doing business in the United States rather than create a mandatory \$1 billion program? Explain. Explain first briefly what is this program. Why are you creating it, and what is it supposed to do?

Dr. BLANK. So the National Network for Manufacturing Innovation is a one-time mandatory proposal—it is not an ongoing program—to create 15 innovation centers inside the United States. And as I am sure you know, we launched a pilot for this last summer in eastern Ohio, western Pennsylvania, and northern West Virginia that is focused on 3-D printing. The idea here is to put together a consortium of private sector companies, top research universities, and tech transfer and community-based foundations to move certain areas of technology, that are incredibly promising and are moving very fast so the United States remains at the forefront in these technologies. And companies that are located here, particularly within these clusters, take advantage of being on the front end of technological progress.

Basically it is an effort to make sure that the United States stays competitive. It is matching things that a number of our competitor nations currently do. Germany, for instance, has 30 such institutes, and has had them for a number of years. They have been very effective in helping German manufacturing. We essentially want to copy and improve upon that model.

Senator SHELBY. Well, how will this work? Give me a particular.

Dr. BLANK. This would be a competitive proposal overseen by NIST within the Department of Commerce, but working in close collaboration with the Department of Energy (DOE) and the Department of Defense (DOD) and a number of the other agencies around the Federal Government. The idea is that local regions would propose a particular institute based on their expertise. So you could imagine one institute that is focused on high-sensory robotics, and one institute that is focused on some of the new materials. You could imagine a number of other institutes that might also focus on 3-D printing since there are a number of very interesting—

Senator SHELBY. Institutes. You mean like the university engineering and everything?

Dr. BLANK. Yes. The idea is that this is really a partnership between research communities, the public sectors, and the private sector in these regions. And the private sector would drive the research agenda. What do they need to know to make more progress in this area and to develop the next set of advanced products?

Senator SHELBY. But what will particularly the Government do here? Will they award money to create a dynamic that is already there, or will they enhance the dynamic?

Dr. BLANK. So the Government does two things in this role. First of all, it invites these consortia to form, to get together and talk to each other, with the promise of seed money from the Government. And in the one that we set up in Ohio-Pennsylvania, we put in, I think, about—I do not know if I can get this number right—somewhere between \$30 and \$40 million. We had a 2-to-1 match of private sector to public sector funds. The companies themselves put quite a bit of money into the consortium, which show that the companies thought this consortium was real value added to them and a program that was worth running.

Senator SHELBY. And you say this is built on something the Germans have done over the years?

Dr. BLANK. A number of other countries do this. I think Germany probably does it best.

Senator SHELBY. Dr. Blank, I have got to find out more about that.

Dr. BLANK. I would be happy to make sure you get more information.

[The information follows:]

OVERVIEW OF THE GERMAN FRAUNHOFER MODEL

- The German Fraunhofer Society consists of 66 separate institutes spread throughout Germany, each focusing on a different field of applied science, and each affiliated with a particular university. Examples of Fraunhofer Institutes are Applied Optics and Precision Engineering, Applied Polymer Research, Machine Tools and Forming Technology, and Laser Technology. Basic research, by contrast, is funded through the Max Plank Society.
- Fraunhofer Institutes directly employ a total of around 18,000 researchers, with a total annual research budget of about \$2.2 billion.
- Of this budget, the German federal government provides $\frac{1}{3}$ base funding for ongoing operations and facilities. The remaining $\frac{2}{3}$ are for applied research projects, with funding split between government (federal, state and EU) and industry.
- The federal funding for Fraunhofer Institutes is recurring, although non-viable Fraunhofer Institutes can be closed.
- Fraunhofer Institutes are motivated to perform contract research, as the German federal government provides a match (euro for euro) for such contract work.
- The Fraunhofer Society is a non-profit organization that conducts research and demonstration projects between basic research done at Universities and the new products created at Industry; this roughly correlates to the TRL 4–7 space envisioned for the National Network of Manufacturing Innovation (NNMIs). According to the Fraunhofer website, “The Management Model of Fraunhofer is driven by the intermediary position between science and Industry”. There is a strong focus is on SMEs, which have not yet developed their own in-house R&D capabilities.
- Fraunhofer Institutes are membership based, with members paying annual dues.
- Each Institute is run by one or more Directors, each of whom has a double role as a professor at the local University, where he guides Ph.D. students. He can also recruit the best students for research at the Institute. The Director has significant autonomy and can decide where to spend the government funds.
- Every 2 years, the Fraunhofer Society has a strategic meeting where an attempt is made to forecast trends, and assess the need for new Institutes. If a new Institute is warranted, negotiations are conducted with the state governments, who are interested in attracting Institutes since this spurs economic development. A new center has a 5-year plan to demonstrate viability.
- Similarities between the Fraunhofer Institutes and envisioned Institutes for Manufacturing Innovation (IMI):
 - They both focus on the TRL 4–7 stage of product development.
 - They foster the marshaling of a region’s resources to address a technical problem: federal and state governments, industry and academia partner together.

- Principal differences between the Fraunhofer Institutes and the envisioned IMIs:
- The Fraunhofers are funded at a higher level each year than the one-time request associated with the NNMI. The annual Fraunhofer budget is about \$2.3 billion, while the NNMI is a one-time only \$1 billion request. Note that Germany's economy is roughly one quarter the size of the U.S. economy.
- The NNMI is not an open-ended commitment; NNMI funding is an investment to establish the space for an applied research consortia, similar to the one time investment in SEMATECH.
- NNMI has a stronger focus on education and workforce development, and on access for small and medium size manufacturers.

Senator SHELBY. My next question is about the satellite gap mitigation. While NOAA has developed a gap mitigation plan to address satellite coverage issues, I am concerned that much of the plan is contingent upon additional changes and engagement with the Chinese to access their data. Such a plan raises eyebrows with a lot of us in light of recent cyber attacks a lot of people think are linked to China.

Do you believe that accessing data, obtaining data from the Chinese is the best solution to address the gap? And if so, why?

Dr. BLANK. So this is a problem in terms of the JPSS satellite program with its transfer with some of the funding issues that it has hit. There is a projected gap between when the expected lifetime of a satellite that is currently up there will end and when the new satellite goes into orbit. We are trying very hard to work as fast as possible to get that new satellite up there, which is one reason why the fiscal year 2014 funding for this is so important. The best way to deal with this gap is to make sure it is not there.

But if indeed we do face a gap, that the one satellite there would die before we get this next one up in orbit, then we unfortunately do not have a satellite that provides us with this orbiting coverage. The two countries that are closest to us that provide close-term coverage are China and France. I would prefer not to have to use data from either of those two countries for our weather forecasting. I would much prefer for us to rely upon our own resources and get our satellites up there much more quickly and—

Senator SHELBY. What do they get from us for allowing us to access their data? I mean, they are bound to get something, a quid pro quo.

Dr. BLANK. Yes. There is a world satellite data sharing effort around world weather forecasting. For instance, we share all the time with the European satellites. The European Geostationary Meteorological Satellites (EUMESAT) is their program, and we share the data with them. They share their data with us. That makes it a little more cost effective. We do not have to cover the whole world. We can focus on North America.

Senator SHELBY. Will this give them a leg up on maybe accessing some of our intellectual property that we have? Is that not always dangerous?

Dr. BLANK. Yes. We can come back and talk about China and intellectual property, which I think is an important issue.

With regard to weather data, I do think you actually want a world in which everyone shares their observations with each other so that we can all benefit. We can track long-term weather much better if we can track it globally.

Senator SHELBY. Thank you.

Dr. BLANK. Thank you.

Chairwoman MIKULSKI. I just want to say that this subcommittee is going to focus on weather. We think it is important to our economy. We think it is important to our international relations, and we certainly think it is important to the safety of our people. And I intend to hold a roundtable on weather rather than this kind of more rigid hearing structure in which members will be invited. And we hope to hear from Dr. Uccellini and thinkers in the field of weather about what is the best way to modernize and yet stay within our own fiscal limits here.

I would like now to turn to Senator Merkley. Then we will have Senator Boozman, if he returns, Senator Shaheen, and Senator Murkowski.

Senator MERKLEY. Thank you very much, Madam Chair. A pleasure to be here.

And thank you, Madam Secretary.

ECONOMIC DEVELOPMENT ADMINISTRATION GRANTS

I wanted to ask you first about the EDA budget. EDA grants have been very significant to Portland's smaller communities, some of our rural communities. One has used EDA grants for a marine terminal and docks, another for industrial parks, another for fiber optic upgrades, yet another for sewage and water infrastructure. So using these grants is a very flexible strategy to address key challenges in smaller communities.

So this budget is reduced from \$111 million approximately in fiscal year 2012 to about \$70 million. Can you give a little sense, since this has been such a flexible fund for rural infrastructure, why the downgrade in funding?

Dr. BLANK. Thank you, Senator Merkley. I appreciate the chance to answer your question.

So the public works budget we have reduced, but we have expanded our budget in other areas that we actually think are slightly more flexible areas. The economic adjustment assistance and this new proposed program on Investing in Manufacturing Communities—both of these are programs that allow funding for infrastructure and can be used for public works, but also allow communities to combine their public works requests with other things that oftentimes are equally important for them to build the economic infrastructure they need such as workforce development programs, science parks, or tech transfer programs.

I think the argument that we would like to make with regard to this budget is that we are moving the money into a more flexible category so that communities that need public works can still access it, but they can combine those requests to ask for a host of things that together might move them further along than focusing just singly on a public works road project or some such thing.

Senator MERKLEY. It sounds like I can assure those communities that they will have very similar flexibility to address the same sorts of needs.

Dr. BLANK. Yes, I believe that is true. I certainly would make that assurance to you.

PACIFIC COASTAL SALMON

Senator MERKLEY. Thank you.

I want to turn next to NOAA's Pacific Coastal Salmon Recovery Fund. This is a fund that has been essential to my State and much of the Northwest that have significant salmon runs because it is such a challenge restoring streams, habitat for transitioning salmon coming up and down the river, so on and so forth, for spawning. That budget also is cut significantly, a \$50 million reduction from fiscal year 2012.

Salmon actually have up and down cycles, but the challenges remain huge, the challenges of dam transit, international shipping, changing water conditions, changing types of predators. The challenge is just as large. Can you give a little bit of thought to this?

Dr. BLANK. We gave a lot of thought to that, Senator, as you might imagine. We knew that we would get asked questions about this.

So our Pacific Salmon Recovery Fund is important and we are leaving a substantial number of dollars in that fund. But we were at a point where we had as much money in that particular fund for one specific species as we had in all of our species recovery funds to cover all other endangered species in the fisheries area.

If indeed salmon remains the most important species in this Nation, we can use our species recovery grants to cover salmon as well as other species. But it gives us more flexibility across a whole host of fishery issues while still retaining a substantial amount of funding directed toward salmon.

Senator MERKLEY. I will just note that one of the keys is try to keep the runs from being listed, if you will, because once that happens all kinds of other crazy things happen. So the investment up front for something that is very significant to our economy—both sport fishing and commercial fishing are huge drivers, and we would like to keep maintaining and improving the habitat so we do not get listed.

NATIONAL NETWORK FOR MANUFACTURING INNOVATION

I want to turn next to the \$1 billion for the 15 institutes, the National Network for Manufacturing Innovation, and first praise the administration for focusing on manufacturing. Oregon is a very significant manufacturing State and has one of the highest proportions of its economy in manufacturing, which is a little bit of a surprise to folks because they do not necessarily think of Oregon that way.

But you mentioned that this was a one-time appropriation, one-time mandatory appropriation, this \$1 billion. So let us say we set these up for 1 year. What happens the next year?

Dr. BLANK. So these are actually set up, and the money would be spent out over a series of years. We do not spend it all in 1 year. Usually these institutes are 5- to 7-year projects with substantial amounts of matching funds. The hope is that if these are successful enough—and this does go back to Senator Shelby's comment—that the private sector will find resources to continue a good deal of this research if, indeed, it is returning to the companies processes and

products that they are able to go sell and can keep them on the forefront of the economy.

Senator MERKLEY. Well, thank you for this focus on manufacturing because if we do not make things in America, we will not have a middle class.

In closing, just a comment that all of the efforts for trade enforcement that are involved in ITA are extremely important for American manufacturers to have a fairer playing field. Thank you.

Dr. BLANK. Yes. Thank you.

Chairwoman MIKULSKI. We are going to turn to Senator Murkowski, then Pryor.

Senator MURKOWSKI. Thank you, Madam Chairman. Good morning.

FISHERIES

I want to talk a little bit about fish this morning. The first question will address the NOAA Observer Programs in the North Pacific groundfish fisheries. As you remember, that has been expanded to the groundfish vessels under 60 feet, as well as commercial halibut vessels that have not previously been covered. There has been a lot of back and forth on this working with the North Pacific Fisheries Management Council and NOAA fisheries. I think I can state very clearly that Alaskans are very supportive of making sure that we have good, reliable data. We understand the importance of the observers, but we also recognize that on many of these vessels—these are small vessels, that only have room for a very limited number. And so when you have human observers on board, there are issues that are created.

So electronic monitoring is the option that Alaskans are very interested in implementing. We have been told that the electronic monitoring option was going to be forthcoming, but it seems that not only is the process slow, it gives the appearance that NOAA is actually putting impediments in the way of implementing the observer program.

I guess the question to you is whether or not you will work to ensure the implementation of the electronic monitoring option as soon as we can possibly make this happen.

Dr. BLANK. So I know that NOAA is looking closely at electronic monitoring options. As I understand it, the technology at this point is still not good enough to fully replace the sorts of observations that human observers are able to collect.

Senator MURKOWSKI. I think that this is under dispute.

Dr. BLANK. Perhaps we should ensure that my staff and your staff talk and share all their information so everyone feels like we have got some agreement on that point.

But when we have an electronic monitoring system that we think is as accurate as the human monitoring systems that we currently have in place, we certainly will do what we can to implement them in Alaska, as well as elsewhere around the country.

Senator MURKOWSKI. Well, I would like to follow through with this issue with you because, again, that commitment that we would work toward an electronic monitoring system has been made. It does not seem that we are getting the level of cooperation that we would like on this. The promise has been made that it is forth-

coming. So I need to have a little more information to go back to my constituents that are very concerned about this. So if we can work with you on that.

Dr. BLANK. We will follow up with you on that one.

NATIONAL OCEAN POLICY IMPLEMENTATION PLAN

Senator MURKOWSKI. I would like to ask you about the National Ocean Policy and Coastal Marine Spatial Planning. We have made very clear in Alaska—and I have had many conversations with Director Lubchenco on this issue. Alaska has consistently expressed their concerns with a federally driven National Ocean Policy leading to the coastal marine spatial planning. I am told that the administration is on the verge here of releasing its National Ocean Policy Implementation Plan and that Alaska will, in fact, be excluded from the requirement to form a regional planning body.

So the question to you is whether or not you can confirm that Alaska will be excluded from the National Ocean Policy Implementation Plan.

Dr. BLANK. So that implementation plan is under the oversight of the Council of Economic Quality and Office of Science and Technology Policy and the White House, and they are the ones that are putting it together. I have also heard that it is going to be released relatively soon, but I simply cannot speak to a report that is not under my control and has not yet been released.

Senator MURKOWSKI. Okay. Well, this is an important issue to us. And I appreciate the chairman here working with us to ensure that in fact any funding for implementation of Coastal Marine Spatial Planning has been zeroed out in the past. This is something, of course, that we are monitoring very carefully. And it has been represented to us that those States that do not want to participate will not have to participate. So I would certainly hope that Alaska would be excluded when that implementation plan comes out.

MARINE DEBRIS

Moving on to marine debris after the Japanese tsunami in 2011, an estimated 1.5 million tons of debris is floating out there in the ocean. We have seen it come up on the shores in Hawaii, out in Oregon. In Alaska, we are seeing it. And we know that it is still coming our way years after the fact.

The question to you, in terms of budget issues, is what funding has the President requested to address the tsunami debris that we anticipate will be coming forward not only this year but going into next.

How is NOAA working with the various Federal agencies, the States, the tribes, the local governments to deal with the ongoing tsunami marine debris?

Dr. BLANK. I know that there is a lot of concern about the potential debris problems that we are going to be facing, and NOAA has been working closely with all of the States that are potentially going to be involved in this.

This particular budget has \$6 million for marine debris activities. That is a \$1 million increase over the budget of last year.

Senator MURKOWSKI. And that is general marine debris?

Dr. BLANK. Yes, though I think the expectation is that almost all of it will be focused in the areas that are facing—it is one reason why we are asking for an increase because we think there are going to be increased problems and needs in that area.

As you also know, the Japanese Government has pledged \$5 million which I think NOAA will be administering and we will be able to spend as well if indeed we see these sorts of problems emerging along the coastline.

Senator MURKOWSKI. Well, Madam Chairman, I appreciate your focus on coasts and keeping our coasts clean. This is something that is ongoing. We would like to think that years after the tsunami we are not going to be seeing this impact, but we know in Alaska there is still an incredible amount that is out there. Unfortunately it is costly to recover, but the alternative is that our beaches and our coastlines are greatly impacted.

Chairwoman MIKULSKI. First of all, we understand you and the west coast are under a lot of stress with this, and you should not have to bear the burden of another country's problems. The Japanese want to help and we want to help. And I think we need to look at report language so that whatever money we are doing on coastal debris, because we all have it, is put to agreement. So let us work together.

Senator MURKOWSKI. Good. Thank you.

Chairwoman MIKULSKI. Senator Shaheen representing the east coast, all 9 miles of your shoreline.

Senator SHAHEEN. Eighteen miles, Madam Chair.

Dr. BLANK. It is an important 18 miles.

Senator SHAHEEN. It is a very important 18 miles. And thank you.

Chairwoman MIKULSKI. And I apologize. With this job, I need to up my math here.

Senator SHAHEEN. Good, good.

Well, I appreciate being on the subcommittee.

And thank you very much, Secretary Blank, for being here this morning and for taking over the Commerce Department at a critical time.

FISH-CATCH LIMITATIONS

I want to continue the line of questioning from Senator Murkowski and continue to talk about fish a little bit because despite the fact that our coastline is only 18 miles long, fishing is a very important industry to that coast and it has been historically very important to the way of life in New Hampshire. And sadly, because of the catch limitations that have been placed on fishermen in the Northeast, we are looking at a fishing industry in New Hampshire that is likely to go out of business entirely.

Unfortunately, the calculations that have been made in recent years have been wrong, and now our fishing industry has to accept about an 80-percent reduction in the amount of cod that they are permitted to catch.

So I wonder if you can tell me how the budget might reflect what specific steps we can take to help the fishermen and their families in New Hampshire and in the Northeast who are affected by these

draconian catch limits and what I can tell them about what we are trying to do to address really the loss of their livelihood.

Dr. BLANK. I understand the really serious problems that the fisheries throughout New England have been facing in the last couple of years. The observed declines in cod and yellowtail flounder and a number of other species are seriously threatening the economic livelihoods of lots of fishermen. I know that this is a problem close to the hearts of many people in that area.

This is one of the main reasons why we declared a fishery disaster in New England. Unfortunately, like other types of disasters, we do not have money in our immediate budget to fund the response to that disaster. That has to come through a special appropriation, and we certainly stand ready to work with you and with others in whatever way—and in whatever vehicle is best in which such an appropriation can be developed and funded.

We do have the ongoing money that exists inside NOAA to work closely with fishery councils to keep observations on what is happening with stock and to use the best science that we have available to project how those stock assessments should translate into annual catch limits. I know that has been causing a lot of pain in the region, and it is one that we have to stay in close conversation about. We do work very closely with the local fishery councils which are the people on the ground in this industry, and really try to coordinate all of our actions and not have any surprises through those local fishery councils to the local fisheries.

Senator SHAHEEN. Well, I appreciate that and I appreciate the support that I know the chairwoman and hopefully the ranking member will give to us as we try and provide some relief.

Chairwoman MIKULSKI. Let me just—well, you finish your question because I do not want to take your time.

INTERNATIONAL TRADE

Senator SHAHEEN. I want to go on next to trade because I certainly appreciate the increased support for various trade activities within the budget. And it has been very important to the State of New Hampshire and I think to the country as a whole. My favorite statistic is that more than 95 percent of markets are outside of the United States, but only 1 percent of small- and medium-sized businesses do business outside of the United States. So clearly we have got to do better.

I wonder if one of the challenges is getting out to small businesses in New Hampshire and across the country about what efforts are available to help them. And I wonder if you could talk about how the budget reflects efforts to help small businesses understand what is available. And then could you also respond to whether there is a single window that you might be looking at to help with not just all of trade, but as we look at the changes in our export regulations, how businesses access that information?

Dr. BLANK. The International Trade Administration (ITA), has a domestic commercial service which has offices all throughout the United States and is the front line at the Department of Commerce in working with small- and medium-sized businesses to try to encourage exports. ITA's Foreign Commercial Service (FCS) assists particularly small businesses that might be thinking about devel-

opening an export business or expanding what they already have, as they often do not have the resources to do the research in a new country with all of the various questions and barriers and issues that arise when you are trying to sell in a new country. That is what our Foreign Commercial Service is all about.

And there are resources in the fiscal year 2014 budget request to expand our Foreign Commercial Service. One of the biggest things that I hear from the private sector, and when I go overseas, and from people inside the State Department as well is that we do not have enough boots on the ground to support American businesses who want to sell abroad. So this budget addresses that issue very directly.

I should also note that our Minority Business Development Administration has increasingly focused resources on trying to work with minority-owned businesses to get them into the export and trade area. As you may know, minority-owned businesses export at a much higher rate than do other businesses. So that is an area where we are trying to grow as well.

Senator SHAHEEN. Well, thank you. I applaud the increase in the Foreign Commercial Service because our businesses have found that very helpful.

FISHERIES DISASTERS

Thank you, Madam Chair.

Chairwoman MIKULSKI. I am going to just make a quick comment before we turn to Senator Reed and Senator Pryor.

I am really worried about the fisheries disasters and how to respond to them on either coast and also Alaska. I was also worried that during Hurricane Sandy, when Senators raised issues related to fisheries disasters, agricultural disasters, and wildfire disasters, we could not accommodate their needs. We were bare-cleated in some of those, and I pledge that I will work with each Senator in those sectors. I do not quite know how we are going to crack that code, but that is the full committee.

But in terms of the fisheries disasters, there is a total misunderstanding that was not certified by the Federal Emergency Management Agency (FEMA) and that somehow or another it was extraneous to the Hurricane Sandy bill.

So I say to you, to my colleagues, the coastal Senators on this subcommittee, that I really want to work with you and work with my vice chairman, Senator Shelby, because they faced it on the gulf with the oil spill and they have had some really terrible events that have occurred to them, both natural and manmade.

First of all, there is no pot. Like FEMA has a pot for disaster, and then if it is a big event like an earthquake, we supplement. But we do not even have a threshold. And I do not know how to create a pot yet—yet—without violating my budget caps. So let us put our thinking caps on.

I say to my colleagues if you have got the ideas—we are going to be working on it, but I thought we could convene those who are most affected by the current fishery disaster to see what we could do.

But I am deeply troubled by this. Ordinarily in a disaster, it does not count against the budget caps, but if I create a fund now, it

would. And that also goes to agriculture and it goes to the wildfires. But I made a pledge and I intend to do everything I can to keep it.

Senator Reed.

Senator REED. Well, Madam Chairwoman, thank you for those strong words of support because I join Senator Shaheen. The Rhode Island fishermen are as badly affected as the New Hampshire fishermen. In fact, we are the Ocean State. We have major fishing activities, and our fishing industry has been, not the last few years but for a decade, in serious decline because of many factors, and your help would be instrumental. I know my colleague from Alaska has the same issues with respect to her fleets. So this is something that we have to deal with.

It is not just also—and actually Secretary Blank has been very helpful—it is not just jobs. It is a whole lifestyle. It is a whole community. It is a whole social network that is under threat of being destroyed. So thank you, Madam Chairman, very much.

Since the question has been covered, I will move on to another question. But first, I understand you are leaving shortly to assume the chancellorship at the University of Wisconsin—Madison?

Dr. BLANK. Yes, I am.

Senator REED. Well, I think dealing with us might prepare you somewhat for dealing with faculty and coaches.

Dr. BLANK. Coaches are a whole other world.

Senator REED. I understand that. You can report back in a year, Madam Chancellor, to see if you are looking back wistfully at your happy days here with the Senate or you are happy in Wisconsin. Good luck.

Dr. BLANK. Thank you.

Senator REED. I want to thank you. You have been very responsive to the many needs of Rhode Island.

MANUFACTURING HUBS

There is one issue—and I know Senator Shelby has raised the justification for the mandatory funding for the manufacturing hubs. I want, if you can, to explore how you intend, if this is provided to you, to engage. Rhode Island has a proud manufacturing tradition, but once again, that is in decline also. And we are trying to innovate and restart manufacturing. We are very much interested in these hubs being deployed. I know DOE and DOD are, with your help, promulgating three at least. But can you give us again an idea of how you are going to engage the process, and also going right back to Rhode Island, is there going to be sensitivity to areas that have traditional manufacturing but are suffering acutely—we have a 9-percent unemployment rate—where a hub like this could be incredibly helpful vis-à-vis other areas of the country which for many reasons are doing much better?

Dr. BLANK. So let me mention two programs here. The National Network for Manufacturing Innovation (NNMI) is really focused on keeping American industry at the front end of technology, and these hubs between the private sector and research universities are designed to do that. NNMI is going to be competitively awarded so that we are encouraging regions to put the consortia together and come up with proposals once we get approval to start this program.

The whole New England area has quite a strong set of schools which think they would be able to put together a proposal that is going to look very attractive.

But let me also mention the other new program that is in the budget here, the Investing in Manufacturing Communities Program, which I think goes directly to your concerns. I do have the sense that too many American communities have been focused for the last three decades on how to deal with the flight of manufacturing. We are, in the next 5 to 10 years, in just the opposite world where manufacturing is going to want to come to the United States, particularly advanced high-tech manufacturing. And the Investing in Manufacturing Communities Program is designed to give some seed money and some push to communities that may have experienced some hardships and some loss of jobs in the past to start developing a strategy to build the infrastructure they need to attract new manufacturing to America. It is a program I am really quite excited about. I think it is aimed at exactly the sort of problems that you are discussing and has a real opportunity to bring even more investment, both retaining domestic investment and bringing foreign investment into this country, and through that, creating jobs and economic growth.

Senator REED. Well, thank you, Madam Secretary. Obviously, we look forward to working with you for as long as you are there and continue this work. But I think you have identified in these programs areas of significant concern and significant potential as the world economy rebalances, as companies come back, as we have to get ahead.

I think the other factor too is that for a long time we thought manufacturing was something we could do without, that it was relatively low-skilled, that financial engineering was much more the way of the future than good, old-fashioned mechanical engineering. And I think we have been awoken to the idea that we need manufacturing as a country and we need it in Rhode Island particularly.

Thank you, Madam.

Chairwoman MIKULSKI. Colleagues, the vote has just started, and here is what I dearly would like to do. Senator Pryor, please proceed with your questions. And then I would like to thank you, Dr. Blank, and then to have the inspector general testify, keep it to 5 minutes so that we could get you on the record. I will come back for questions and invite every other member who could. You are too important. We are going to do it, but let us squeeze in your testimony before we have to dash. Does that sound good, Senator Pryor.

Senator PRYOR. Thank you, Madam Chair.

Secretary Blank, welcome back to the subcommittee. I appreciate you and your service. Good luck to you in your next role at the University of Wisconsin—Madison.

SCIENCE PARKS/INNOVATION CLUSTERS

I want to talk to you about science parks or as some people call them innovation clusters. They have been very, very successful around the country. We have one in Arkansas. It may be small by some standards, but it has been a real success story for us. We are

working on another one in Little Rock, and we hope that one is going to be successful as well.

In the America COMPETES Act, we have section 603 that authorizes, or establishes a regional innovation program that would include grants, loan guarantees, et cetera. My understanding is that the Department has not yet promulgated the regulations and has not set up that loan guarantee program. Obviously, we have had fiscal issues on our end. So I am not throwing all the blame on you, but I would like a status report and to know how quickly you think we can get this loan guarantee program set up and how effective you think it will be.

Dr. BLANK. Science parks, I agree with you, are an incredibly important piece of bringing manufacturing back, of keeping the United States on the front end of innovation. And the Economic Development Administration has funded a number of these through their regular funding.

With regard to the loan guarantee program, this is a program that we want to set up right, and we have been consulting closely with the Department of the Treasury about how to do this. I understand that there is a request for information that is formally going out to ask banks and manufacturers for their advice. There is a process you have to follow to collect all of the input before you actually start this.

I do not have a specific timetable for exactly when we are going to be ready to launch this, but I would like to make sure that our staff and your staff stay in close conversation about this. I know it is an issue that is very important to you.

Senator PRYOR. Yes, thank you. It is and it is important to the subcommittee, to the full committee and really the whole Senate to get this program going. It is like Senator Reed was saying a few moments ago: we should not give up on U.S. manufacturing. We should not give up on U.S. innovation. We can do this, and these science parks or regional innovation clusters can be very, very critical to success in those areas.

EXPORT PROMOTION

Let me ask about export promotion. Last year I filed the Export Promotion Act of 2012 with Senator Blunt. It did not make it all the way through the process. I plan to talk with Senator Blunt and see if we can get through the entire process this year.

Part of the bill would assist businesses with exports by addressing issues with the Trade Promotion Coordinating Committee (TPCC), as outlined in a recent GAO report. I would like to get your thoughts on making the TPCC more efficient, more effective, and a better coordinator for U.S. businesses who are trying to export more products.

Dr. BLANK. So we chair the TPCC. I care a lot about trying to make that particular coordinating agency as useful as possible, and I am more than happy to engage in ongoing conversations and discuss any ideas that you have, including things that we can be doing and need to do even before any legislation might potentially be enacted.

There are a host of different agencies that do trade. We try through TPCC to get them to talk to each other as much as pos-

sible. I think we have been relatively effective at trying to establish some common priorities particularly around areas of the world and industries where we think there are real advantages and opportunities for U.S. business. And so the Ex-Im Bank and our advocacy and OPIC are all working together in some of those areas. But we can always do this better.

And I have to mention that for trade promotion, the part of the budget that calls for additional funds in our Foreign Commercial Service efforts is just crucial. That is one place where we are falling down right now. We need more people out there around the world helping U.S. businesses who are trying to enter new markets.

Senator PRYOR. Thank you.

STATUS OF INNOVATION HUBS

And let me ask one last question. I know the President has talked about the National Network for Manufacturing Innovation. These institutes would be regional hubs to accelerate development, adoption of cutting-edge manufacturing, et cetera. I know at one point there was discussion of doing three of those this year. Are we on track to do that?

Dr. BLANK. So the President has announced that there will be three new pilots. We started one last year. I think there will be one or two funded by DOD and one or two funded by DOE. I am not quite sure where that is in the process. It is great to be able to launch more of these.

My concern, in part, is that the sort of things that DOE and DOD can fund are quite limited. They are important but they do not cover the full range of technologies where we need to establish these consortia. That is one of the reasons why I hope these pilot programs hopefully lead to a bigger program.

Senator PRYOR. And I hope as you do those, they will be geographically dispersed, not just concentrated around urban areas.

Dr. BLANK. Yes.

Senator PRYOR. Thank you, Madam Chairman.

Chairwoman MIKULSKI. Dr. Blank, we want to thank you for your service. It has been a delight working with you. We are going to work right up with you all the way through Memorial Day, and we hope to keep in touch with you in Madison. You have two great Senators, one of which is new in Tammy Baldwin. So thank you.

We are going to try to move in a quick step if our inspector general could come up.

Dr. BLANK. Thank you very much.

Chairwoman MIKULSKI. Thank you.

Mr. ZINSER. First of all, we want to welcome you. We love inspector generals and the role that they play, and you are needed really now more than ever because we have to make sure we get value for every nickel we spend. So we ask you to go full speed ahead. We will excuse ourselves to vote, and any Senators who wish to return would be great. I will return or else submit questions to the record.

Senator Shelby, did you want to say something to Mr. Zinser?

Senator SHELBY. No.

Chairwoman MIKULSKI. Go ahead.

**STATEMENT OF TODD J. ZINSER, INSPECTOR GENERAL, OFFICE OF
INSPECTOR GENERAL**

Mr. ZINSER. Thank you, Chairwoman Mikulski and Vice Chairman Shelby and members of the subcommittee. We appreciate the opportunity to be here today.

I recently completed my fifth year as inspector general, and I am beginning my 30th year of Federal service. And I am very proud of our contributions at the inspector general's office and I am very proud of the hardworking staff there.

CHALLENGES FACING THE DEPARTMENT

We issue a report every year on the top management challenges facing the Department. We issued our most recent report in November 2012, and those challenges that we identified—there are five overarching challenges. I have identified those in my written statement.

Today, I would like to concentrate on four specific areas that we think are most challenging.

First, NOAA and the Department must reduce the risk of NOAA satellite cost overruns, schedule delays, and coverage gaps. NOAA satellite programs represent almost 20 percent of the Department's budget and are critical to the Nation's weather forecasting enterprise.

Second, the Census Bureau and Department must make 2020 design changes to contain lifecycle costs while maintaining the quality of the census. Without changes to how the census is carried out, the latest cost estimates indicate that the 2020 census could cost anywhere from \$18 to \$30 billion. Even if the Census Bureau is able to maintain the costs per household it achieved in 2010, which was \$94 per household, the cost is estimated to be \$18 billion, or around \$6 billion more than 2010. Census has to stick to its research and testing schedule and make key decisions over the next 2 years. By the end of 2014, the Congress and the Department need to have the design of the 2020 decided.

Third, USPTO must reduce its backlogs, improve processing times, and effectively implement the reforms enacted in the Leahy-Smith America Invents Act of 2012 (AIA). Our testimony, for example, discusses three backlogs.

What we call the traditional backlog is around 600,000 patent applications. It takes almost 3 years to complete a patent review. That is backlog number one.

The time it takes a rejected applicant to receive a decision on their ex parte appeal has doubled over the past 2 years. There are more than 25,000 appeals in the backlog and it can take around 20 months to get a decision. So ex parte appeals is backlog number two.

And over the past 2 years, the backlog of annual requests for a continued examination (RCE) has more than doubled and currently stands at around 100,000. The RCE backlog is backlog number three.

So the workload is significant at USPTO and it also has a significant amount of work to do to implement AIA and carry out its key modernization project called Patent End to End.

Fourth, the Department and each of the bureaus must strengthen operational controls and oversight under constrained budgets. Our concerns in this area range from issues of financial management, such as the reprogramming issues found at NWS, to persistent problems we have found in IT security, to the increase we have seen in compliance and ethics issues reported to us via our hotline that require management attention. These issues are further detailed in our written statement and in our Top Management Challenges report. The Department and our office, I believe, are in sync on these challenges. I also believe that Deputy Secretary Blank has set the proper tone at the top for addressing these issues.

I would also like to take the opportunity to thank Dr. Blank for her support and wish her all the best at the University of Wisconsin—Madison.

PREPARED STATEMENT

That completes my statement. I would be pleased to respond to your questions.

[The statement follows:]

PREPARED STATEMENT OF TODD J. ZINSER

Chairwoman Mikulski, Ranking Member Shelby, and members of the subcommittee: I appreciate the opportunity to testify today as you consider upcoming appropriations for the Department of Commerce. The President's fiscal year 2014 budget requests \$11.7 billion for the Department, including \$3.1 billion for United States Patent and Trademark Office (USPTO) user-fee financing. The Department plays a pivotal role in implementing the President's initiatives for economic recovery and job creation—and, like other Federal agencies, faces significant challenges in the upcoming year.

Today, I will briefly summarize several challenges facing the Department. These areas are addressed in greater depth in our recent *Top Management Challenges (TMC)* report, which we prepare annually as required by the Reports Consolidation Act of 2000.¹ Our *TMC* report identifies what we consider, from our oversight perspective, to be the most significant management and performance challenges facing the Department:

- Challenge 1*.—Stimulate economic growth in key industries, increase exports, and enhance stewardship of marine fisheries.
- Challenge 2*.—Increase oversight of resources entrusted by the public and invest for long-term benefits.
- Challenge 3*.—Strengthen security and investments in information technology.
- Challenge 4*.—Implement framework for acquisition project management and improve contracts oversight.
- Challenge 5*.—Reduce risks of cost overruns, schedule delays, and coverage gaps for the National Oceanic and Atmospheric Administration's (NOAA) satellite programs.

The challenges I will highlight today focus on the following areas:

- NOAA Satellites*.—Reduce risks of cost overruns, schedule delays, and coverage gaps (challenge 5).
- 2020 Census*.—Implement design changes to contain lifecycle costs while maintaining enumeration quality (from challenge 2).
- U.S. Patent and Trademark Office*.—Reduce the patent backlog, improve processing times, and effectively implement patent reform (from challenge 1).
- Departmental Operational Controls and Oversight*.—Strengthen operational controls and oversight under constrained budgets (from challenges 1, 2, 3, and 4).

¹ 31 U.S.C. 3516(d).

NOAA SATELLITES—REDUCE RISKS OF COST OVERRUNS, SCHEDULE DELAYS, AND
COVERAGE GAPS

Satellite programs remain the largest investment in the Department, comprising nearly 20 percent of the Department's budget. The two most prominent programs, the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R series (GOES-R), together accounted for one-third of NOAA's fiscal year 2013 budget request. Strong program management and close oversight of these programs are needed to manage risks that, if not mitigated, could lead to cost overruns, schedule delays, and coverage gaps for the critical capabilities these programs will provide. Based on our work with these programs, we have identified four areas for management attention:

- Communicating with stakeholders to define JPSS capabilities, schedule, and cost baselines.
- Ensuring adequate leadership and governance structure over Joint Polar Satellite System development.
- Developing a plan to support NOAA weather forecasting capabilities during coverage gaps.
- Reducing program risks associated with GOES-R development.

Communicating With Stakeholders To Define Joint Polar Satellite System Capabilities, Schedule, and Cost Baselines

In our September 2011 audit report,² we recommended that NOAA develop a mechanism to provide executive and legislative decision makers, on a recurring basis, with complete, objective, and understandable information that illustrates the consequences of limiting satellite observational capabilities. Recently, the Senate Committee on Appropriations expressed frustration with NOAA's "inability to control procurement costs or articulate reliable funding profiles."³ This resulted in the Senate Committee losing confidence in NOAA's ability to manage its portfolio of satellite acquisitions and the Committee considered transitioning these acquisitions entirely to National Aeronautics and Space Administration (NASA).

NOAA's JPSS program uses NASA as its acquisition agent, leveraging that agency's procurement and systems engineering expertise—an arrangement based on previous partnerships between the two agencies. In its fiscal year 2011 budget submission, NOAA reported that the two-satellite JPSS program, running through 2024, would cost \$11.9 billion. Requirements changes and an extended lifecycle through 2028 resulted in a December 2011 revised program cost projection of \$14.7 billion. In its fiscal year 2013 budget submission, however, NOAA committed to capping the cost of the program at \$12.9 billion and submitted a nearly flat-line annual fiscal years 2013–2017 budget estimate of approximately \$900 million, plus the cost of climate sensors previously budgeted under a different NOAA program. Although the program has since constructed a cost estimate to support the \$12.9 billion cost cap, its high-level requirements were recently finalized in October 2012. Pending decisions on lower-level requirements, acquisition strategies, and system design—particularly for the ground system and "free-flyer" satellites—could have ramifications for launch schedules and cost:

- The ground segment project recently completed its requirements review 5 months later than planned, in August 2012; it was originally scheduled to precede the program-level review that occurred in May 2012. Program officials have told us that there is a need to move to a more open, adaptable, standardized architecture that will allow the program to save costs by interfacing with international and other partners for mission data.
- There is a significant amount of uncertainty in requirements for free-flyer satellites, which will host search-and-rescue and data collection instruments, separate from the program's primary satellites. For the free flyers, information security requirements had to be analyzed and ground support options determined. This uncertainty in requirements translates to uncertainty in the program's lifecycle cost estimate.

During fiscal year 2012, NOAA has made progress in prioritizing high-level JPSS requirements to support its commitment to capping the lifecycle costs at \$12.9 billion. While this approach shows serious management commitment, fitting requirements into a previously authorized budget increases the risk that requirements will be dropped or launches delayed in order to remain within the budget. NOAA needs

²U.S. Department of Commerce Office of Inspector General, September 30, 2011. *Audit of the Joint Polar Satellite System: Challenges Must Be Met to Minimize Gaps in Polar Environmental Satellite Data*, OIG-11-034-A. Washington, DC: Department of Commerce OIG.

³Senate Report 112-158 (discussing Committee rationale for transfer to NASA); Commerce, Justice, Science, and Related Agencies Appropriations Act, 2013, S. 2323, 112th Cong. (2012).

to revisit the lifecycle cost estimates after finalizing JPSS requirements and work with the Department and Congressional representatives in adjusting its budget estimates.

Ensuring Adequate Leadership and Governance Structure Over Joint Polar Satellite System Development

More progress defining JPSS capabilities, schedule, and cost may have been possible if not for delays defining the program's management control plan, which identifies governance structure and key program and NOAA positions. NOAA and NASA finally agreed to a management control plan for JPSS in February 2012, nearly 2 years after the program was started. The agencies are currently revising the management control plan to ensure the NOAA JPSS Director has the necessary authority and responsibility to direct all elements of the program and to ensure that systems engineering is integrated under a single program chief systems engineer.

Further, NOAA and its JPSS program have had key staff in acting, rather than permanently filled, capacities for extended periods of time (see table 1). Only the Under Secretary of Commerce for Oceans and Atmosphere and the Assistant Administrator for National Environmental Satellite, Data, and Information Service (NESDIS), positions have been permanently filled since the program's inception. The Under Secretary recently returned to academia, resulting in a new discontinuity in senior management oversight of the program.

TABLE 1.—NOAA JPSS PROGRAM AUTHORITIES

Position	Status at program start (February 2010)	Current status
Under Secretary of Commerce for Oceans and Atmosphere/NOAA Administrator.	Filled	Acting (February 2013)
Assistant Secretary for Environmental Observation and Prediction/Deputy Administrator.	Vacant	Filled (May 2011)
Deputy Under Secretary for Operations	Filled	Acting (January–June 2012); Filled (July 2012–January 2013); and Filled (new appointee, January 2013)
Assistant Administrator, NESDIS	Filled	Filled
NESDIS Deputy Assistant Administrator for Systems.	Filled	Acting (February 2010–May 2012); Currently vacant
JPSS Director	Acting	Filled (September 2011)

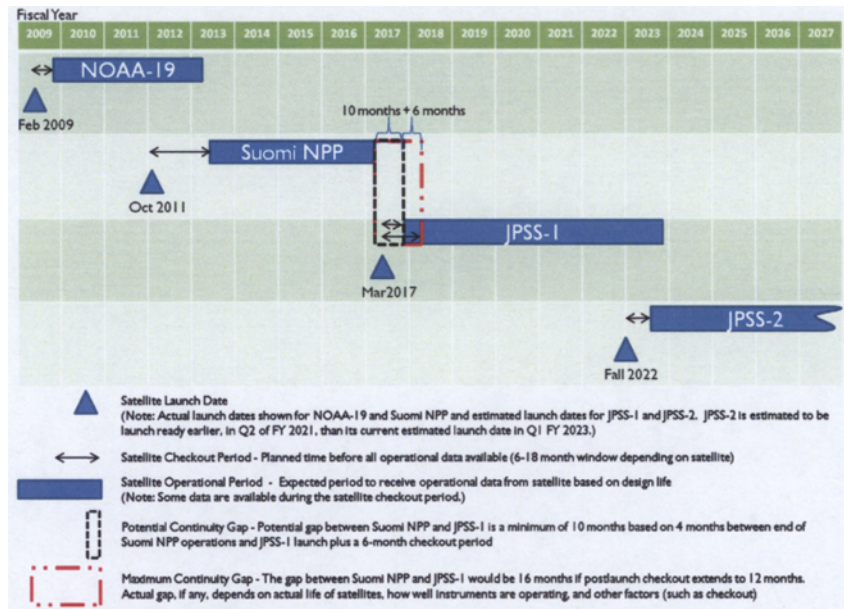
SOURCE.—OIG analysis of NOAA information.

Qualified officials, who can make timely decisions and take management action, are essential to the success of JPSS development. For example, NOAA's Deputy Under Secretary for Operations is deemed the final authority for the program's high-level requirements, schedule, and budget submissions. The former official retired in January 2012 and was not permanently replaced until July 2012. The interim period included the fiscal year 2013 President's budget submission and other decisions on high-level requirements. NOAA had additional turnover at this position after a little more than 6 months. The NESDIS Deputy Assistant Administrator for Systems (DAAS) position, which has served as NOAA's single source of programmatic direction and guidance to NASA for NOAA programs, has been vacant since May 2012; NOAA does not expect to fill the position until summer 2013. Previously, this DAAS position was staffed in an acting capacity. Detailed employees, in acting capacities, occupy several other key positions within NESDIS and the program. NOAA needs to fill open positions overseeing JPSS development and govern the program according to an effective management plan.

Developing a Plan To Support National Oceanic and Atmospheric Administration Weather Forecasting Capabilities During Coverage Gaps

Over the course of the program to date, we have analyzed Suomi National Polar-orbiting Partnership (Suomi NPP, a recently launched, risk-reduction satellite that is flying the first versions of JPSS sensors) and JPSS schedules to assess expected gaps in weather forecast data. Currently, we project a 10–16-month gap between Suomi NPP's end of design life and when JPSS-1 data become available for operational use (see figure 1). NOAA's medium-range weather forecasting (3–7 days) could be significantly degraded during the period of time JPSS data are unavailable.

FIGURE 1. POTENTIAL CONTINUITY GAPS FOR POLAR-SATELLITE OPERATIONAL FORECAST DATA



SOURCE.—OIG analysis of JPSS program data.

In our September 2011 report, we reported on activities within NOAA to use other sources of data to mitigate gaps and recommended NOAA coordinate efforts from across its line offices to minimize the degradation of weather and climate forecasting. In response, NOAA indicated that it was looking at both foreign and commercial sources of data. More recently, NESDIS developed a gap mitigation plan to minimize JPSS-1 schedule risks and possibly extend Suomi NPP's lifetime. The plan includes options and strategies whose implementation is contingent upon further prioritization and funding decisions. NOAA has also begun an analysis of alternative sources of data and other ideas for minimizing the degradation of its weather forecasting capabilities in the event a gap in polar satellite data occurs. In the Disaster Relief Appropriations Act of 2013, the Congress provided NOAA \$111 million for a weather satellite data mitigation gap reserve fund; NOAA was to submit its spending plan to the House and Senate Appropriations Committees in March 2013.

The risk of a near-term gap between NOAA-19 (NOAA's primary operational polar-orbiting satellite) and Suomi NPP has been largely mitigated and the program formally transferred operations to NOAA in February 2013.

Reducing Program Risks Associated with Geostationary Operational Environmental Satellite-R Development

GOES-R is also a NOAA/NASA partnership; however, unlike JPSS, NOAA is managing the acquisition and development of the GOES-R ground system while NASA is directing the flight segment (spacecraft, instruments, launch vehicle, and services). The GOES-R series of satellites will provide uninterrupted short-range severe weather warning and "now-casting" capabilities through 2036. With four satellites (the GOES-R, -S, -T, and -U), the program is estimated to cost \$10.9 billion over the course of its lifecycle.

Previous efforts to reduce risks and control costs resulted in reductions in the scope of the GOES-R program and deferred the delivery of some capabilities (see table 2, below). An instrument⁴ that would more accurately measure moisture and temperature at different heights in the atmosphere was removed in 2006 because

⁴The Hyperspectral Environmental Suite measures temperature and moisture in the atmosphere with improved accuracy.

it was technically complex. Two capabilities added in July 2010 were subsequently deferred indefinitely in an effort to control costs:

- Improvements in the frequency and speed at which data products are delivered to users; the program has returned to meeting the original frequency and speed requirements; and
- Plans to add 31 weather prediction and climate monitoring data products to the existing 34 baseline products.

TABLE 2.—GOES-R CAPABILITIES REMOVED OR DEFERRED

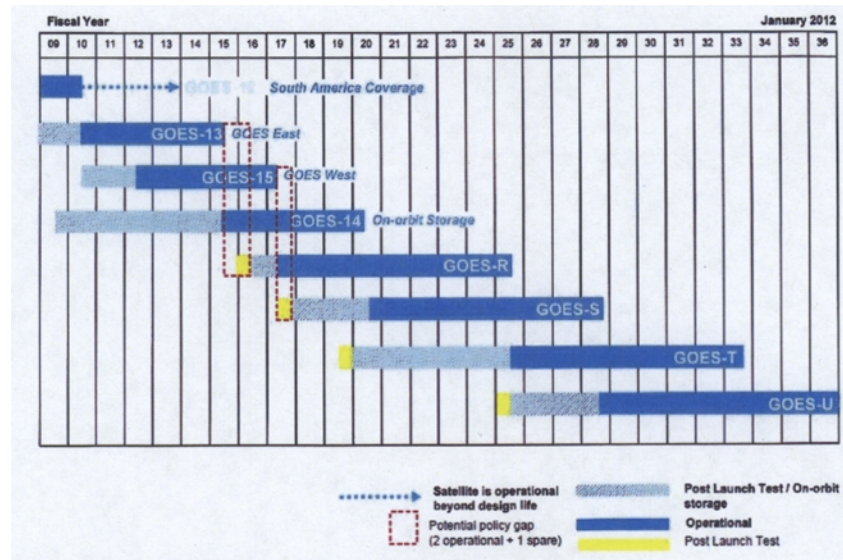
Program content/Capability	Date	Current Status	Rationale
Hyperspectral Environmental Suite	August 2006	Similar information will be produced using data from another instrument.	To reduce program risk (the instrument included unproven technology).
Improvements in the frequency and speed at which data products are delivered to users.	September 2011	Returned to original (baseline) requirements.	Necessary to meet cost limits.
An additional 31 data products used for weather prediction and climate modeling.	September 2011	Products are deferred for an undetermined time.	Necessary to meet cost limits.

SOURCE.—OIG analysis of NOAA information.

The GOES-R program recently held a key technical milestone review in August 2012. Subsequently, the program downgraded, from green to yellow, its assessment of schedule and technical development because of various issues with the spacecraft and instruments and the need to aggressively manage dependencies with the ground project's development. The ground segment's schedule has become more incremental—which will increase schedule flexibility, as well as better align the delivery schedule for GOES-R spacecraft, instruments, and documentation. Despite progress made, there is less than a 50-percent chance the GOES-R satellite will be launched on schedule, in October 2015, based on the program's own models used to assess GOES-R development. Also, the program has identified increased risk in flight segment development that could hinder its ability to launch on schedule. NOAA must implement solid program management and system engineering principles to control costs, keep schedules on track, and maintain required technical performance.

NOAA is currently assessing impacts to the GOES-R schedule due to sequestration and rescission of funds in the recently enacted appropriations law. The program's standing review board also warned at an August 2012 technical review that should the program's request in the President's fiscal year 2013 budget submission (an increase of nearly \$200 million, or 30 percent, from fiscal year 2012) not be realized, a launch delay is nearly certain, which could significantly limit NOAA's capability of providing short-range severe weather warning. NOAA's policy for its geostationary satellites is to have three satellites in orbit—two operational satellites with overlapping coverage and one spare for backup (see figure 2). As we reported last year, NOAA may not be able to meet its policy of having an on-orbit spare even without a GOES-R launch delay, because of retirement of current GOES series satellites. A launch delay beyond October 2015 increases the risk that just one geostationary imager will be on orbit, a scenario in which NOAA's capability to visualize and track severe weather events would be severely limited.

FIGURE 2. CONTINUITY OF GEOSTATIONARY OPERATIONAL SATELLITES



SOURCE.—OIG, adapted from NOAA geostationary satellite schedules.

2020 CENSUS—IMPLEMENT DESIGN CHANGES TO CONTAIN LIFECYCLE COSTS WHILE MAINTAINING ENUMERATION QUALITY

Because of the long planning cycles for the decennial census, one of the biggest challenges the Census Bureau faces is maintaining leadership with a consistent vision. Currently, the Bureau is approaching the 7-month mark without a permanent director, increasing the likelihood that it might fall back on old ways and institutional habits. The Bureau has vowed to contain the costs of the 2020 decennial census to an amount close the average cost per home of the 2010 decennial census—a lifecycle cost of no more than \$18 billion. To achieve cost savings, the Bureau is exploring new and innovative design alternatives based on evidence from its research and testing operations. However, the Bureau may be seeing signs of delays due to budget reductions and schedule slippage in its 2010 decennial census evaluation program and the 2020 decennial research and testing program. Schedule delays could impede the Bureau's preliminary 2020 decennial design decision scheduled for September 2014. We have identified the following issues requiring senior management attention.

Maintaining Leadership Continuity and Departmental Oversight

Leadership continuity is essential to maintain momentum as planning progresses for the 2020 decennial census. The Presidential Appointment Efficiency and Streamlining Act of 2011 (Public Law 112–166), signed into law on August 10, 2012, specifies a fixed 5-year term for the Census Bureau Director, which represents progress toward ensuring the leadership continuity required to direct the 2020 decennial lifecycle. While the current leadership has extensive knowledge and experience, the lack of a confirmed director adds risk to the Bureau's management of critical issues (e.g., budget, operational design, and questionnaire content). Absent stable, committed leadership, any organization tends to revert to its embedded culture. Reverting to historical practices and limited design changes experienced in recent decennials will result in unsupportable cost growth for the next decennial. To coordinate ongoing activities leading to a cost-effective fiscal year 2014 design decision, the appointment of a new director must be a priority.

Departmental oversight also should play a key role: early in the decennial census development process, oversight can reveal whether the Census Bureau has considered all reasonable project alternatives or whether it is assuming too much risk. In this way, the Department can work with the Bureau to address problems before unnecessary costs accumulate. For example, one difference this decade is the Depart-

ment's early attention to decennial planning efforts. Recently, the Commerce Information Technology Review Board examined decennial information technology (IT) planning efforts and requested additional information from the Bureau. It is critical that Departmental management continues close oversight to help ensure decennial cost containment and quality.

Refining the American Community Survey and Multiple Response Options

The American Community Survey (ACS) infrastructure allows for the creation and testing of enterprise-wide solutions to obstacles that the Census Bureau faces in all of its survey and decennial operations. In our final 2010 Census report to Congress,⁵ we suggested that the Bureau use the ACS to explore areas such as questionnaire content and design, multiple response options (such as the Internet), use of administrative records, and targeted field data collection procedures and methodologies. The Bureau's preliminary 2020 decennial cost estimates were based on the assumption that the ACS program would continue. With Congress debating the elimination of funding for this survey, management needs to factor into 2020 decennial planning efforts the significant uncertainty this would create.

In January of this year, the Census Bureau implemented an ACS Internet response option. Although the survey's response rate is about the same as it was a year ago, the Bureau collected more than 50 percent of the initial responses via the Internet, versus mail or telephone. Early 2020 decennial research and testing operations have not used the ACS, although there are plans to integrate testing mid-decade. The Bureau should seek opportunities to use the ACS in decennial operations as testing progresses to the development of production systems. Using this approach, the Bureau can minimize its reliance on creating single-use systems that must operate flawlessly in a decennial production environment. Instead, it could build systems over many developmental cycles (e.g., the ACS) during the decade.

Facilitating the Ability To Use Administrative Records

Currently, one of the focal points of 2020 decennial census research and testing agenda is using administrative records to improve the address list and reduce the number of visits to housing units that do not return the questionnaire. The Census Bureau's use of these records could potentially save billions of dollars over the lifecycle of the next decennial. However, obtaining access to these records can be difficult because relevant statutes governing other Federal agencies do not compel them to provide their records to the Bureau. In addition, as we recently reported,⁶ although tribal, State, county, and local governments share address information with the Bureau, title 13 forbids the Bureau from reciprocating with those partners and Federal agencies—with a few, very narrow, exceptions, such as the once-a-decade address-updating known as the Local Update of Census Addresses program. According to the Bureau, it is trying to identify opportunities that will provide detailed feedback to local governments throughout the decade for address list improvements. However, to facilitate a wide-ranging use of administrative records—key to containing 2020 decennial costs—management needs to seek congressional guidance.

Completing 2020 Decennial Census Research and Testing

During fiscal years 2012–2014, key Census Bureau research and testing occurs to support early design decisionmaking in fiscal year 2014. As a result of a reduction in its budget request for fiscal year 2012, the Bureau canceled 20 of 109 studies to measure its performance in the 2010 decennial census, and four evaluations remain outstanding. We are currently reviewing the implementation status of the Bureau's 2020 decennial research and testing program, including the extent of implementation, timeframes for completion, milestones, and deliverables. We are concerned about the Bureau's ability to deliver the required results to make an informed preliminary design decision by September 2014. If this necessary research is not completed on time the Bureau may determine, as it has in the past, that the risks are too high to implement significant design changes—and revert to a familiar mailout-mailback, pencil-and-paper questionnaire without major cost-saving improvements. The Department, Office of Inspector General (OIG), the Government Accountability Office, and the Congress should pay particular attention to the Bureau's progress over the next year. Decisions made during the next 2 years will set the course for how well the 2020 decennial count is performed and how much it will ultimately cost.

⁵DOC OIG, June 27, 2011. *Census 2010: Final Report to Congress*, OIG–11–030–I. Washington, DC: DOC OIG.

⁶DOC OIG, May 10, 2012. *High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Saving Goals*, OIG–12–024–I. Washington, DC: DOC OIG.

U.S. PATENT AND TRADEMARK OFFICE—REDUCE THE PATENT BACKLOG, IMPROVE
PROCESSING TIMES, AND EFFECTIVELY IMPLEMENT PATENT REFORM

The U.S. Patent and Trademark Office (USPTO) fosters innovation and protects inventors' intellectual property rights by registering trademarks and granting patents, which support \$5 trillion of the U.S. economy. Long waits for application decisions could adversely affect innovation, economic development, and job growth-inhibiting, for example, U.S. companies from exporting until they procure the appropriate patents for their products. Further challenges to economic growth arise as USPTO meets the challenges of implementing new legislation and the requirements of its general patent processing operations.

Addressing Backlogs

Over the past decade, the patent backlog has almost doubled, and the completion of patent reviews takes almost 3 years. Initially, the Under Secretary of Commerce for Intellectual Property set forth the goals of reducing the backlog of applications awaiting examiner action to a 10-month inventory (approximately 329,500 applications as of March 2012)⁷ through decreasing the total processing time for patent applications to 10 months for the first office action by fiscal year 2014 and 20 months total by fiscal year 2015. (See figure 3 for pendency rates over the last 3 fiscal years of patent applications, appeals, and requests for continued examination, or RCEs.) USPTO later postponed these target dates to fiscal years 2015 and fiscal year 2016, then to fiscal years 2016 and fiscal year 2017 respectively.⁸ To reduce the long waits for patent application decisions, it is imperative that USPTO increase its efforts to address these challenges.

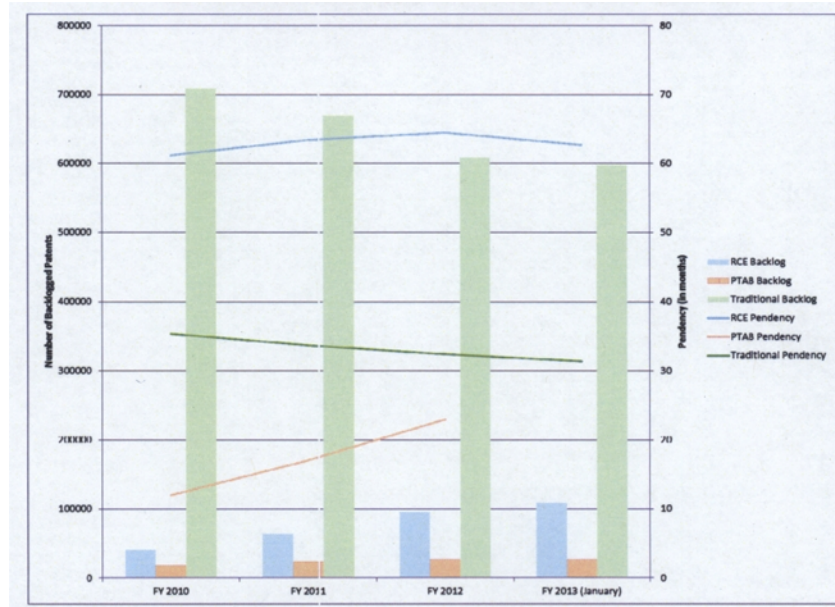
USPTO also has the challenge of reducing a second backlog: *ex parte*⁹ appeals for rejected patent applications. As the number of patent examiners has grown, the number of new *ex parte* appeals has grown significantly. Although it is difficult to estimate the exact increase in the number of new appeals before fiscal year 2010 because of inaccuracies in the appeal data, new *ex parte* appeals have averaged nearly 12,800 annually between fiscal year 2010 and fiscal year 2012. The time it takes an appellant to receive a decision on an *ex parte* appeal has doubled in the past 2 years.

⁷The exact number of applications that would comprise a 10-month inventory will vary based on the size of the patent examiner corps.

⁸Sources for USPTO target dates for decreasing patent application processing time: USPTO's fiscal years 2010–2015 strategic plan (fiscal years 2014 and 2015), Fiscal year 2013 President's budget request (fiscal years 2015 and 2016), and the Department's response to OIG's October 2012 draft *TMC* report (fiscal years 2016 and 2017).

⁹USPTO uses a Patent Trial and Appeal Board to help ensure that inventors have the opportunity to protest patent examiner decisions. Patent applicants may submit an *ex parte* appeal to the Board of Patent Appeals and Interferences (USPTO's administrative law body) after any of their claims have been rejected twice by patent examiners.

FIGURE 3. PATENT BACKLOGS AND THEIR ASSOCIATED PENDENCY



SOURCE.—OIG analysis of USPTO data.

NOTE.—PTAB measures for January 2013 or end of first quarter 2013 are not available.

Although USPTO hired additional judges in fiscal year 2012 and enhanced their performance benchmarks, this backlog requires continued management attention.¹⁰

USPTO has made reducing its backlog of unexamined patent applications and patent appeals key performance goals in its 2010–2015 strategic plan. It has initiated efforts to reduce both backlogs—which, as of January 2013, stood at 597,579 and 26,474, respectively:

—First, USPTO began a program called Clearing the Oldest Patent Applications (COPA) in February 2011 to reduce patent pendency by eliminating the backlog of all unexamined patent applications filed on or before June 7, 2009. This program began with 233,780 unexamined applications and, as of February 2013, it only had 193—at which point USPTO ended the COPA program. USPTO added more than 1,700 total examiners in fiscal years 2011 and 2012 to help reduce its patent application backlog. In fiscal year 2010, USPTO began with a backlog of more than 700,000 unexamined applications. They have made significant progress by reducing that backlog to 597,579 unexamined applications in January 2013.

—Second, the Patent Trial and Appeal Board (PTAB) has increased its staff of administrative patent judges from 100 in fiscal year 2011 to 152 in fiscal year 2012 and anticipates having 218 by the end of fiscal year 2013 to help reduce its current backlog of 26,474 ex parte appeals.¹¹ My office reviewed PTAB's backlog and operations and issued an audit report on August 10, 2012, indicating that PTAB's staffing did not increase as the number of patent examiners increased. As a result, PTAB's backlog has significantly grown over the last 2 years. Our report made recommendations to improve PTAB operations.

USPTO faces a third backlog of RCEs. The American Inventors Protection Act of 1999 allowed applicants to request continued examination of a patent application for a fee after USPTO had provided its final decision. Over the last 2 years, the annual

¹⁰DOC OIG, August 2012. *USPTO's Other Backlog: Past Problems and Risks Ahead for the Board of Patent Appeals*, OIG-12-032-A. Washington, DC: Department DOC OIG.

¹¹Before September 16, 2012, the Patent Trial and Appeal Board was known as the Board of Patent Appeals and Interferences.

RCE backlog has more than doubled: from more than 48,000 in October 2010 to more than 109,000 in January 2013.

Although a new examiner count system implemented in February 2010 aimed to reduce the number of RCEs, new filings have remained fairly steady at around 155,000 per year over the last 3 years. As a result, on December 6, 2012, USPTO requested comments through the Federal Register to solicit public feedback on the factors that cause applicants to file RCEs. Although the comment period through the Federal Register notice closed on February 4, 2013, USPTO continues to accept online comments through its Web site. Additionally, USPTO is providing its examiners, through the end of fiscal year 2013, incentives to reduce its backlog of RCEs.

Implementing Patent Fees and AIA Provisions

In addition, USPTO faces new administrative and operational challenges in implementing the Leahy-Smith America Invents Act (AIA; Public Law No. 112–29). This September 2011 law contains many fundamental changes to patent laws and fees, as well as USPTO practices, such as moving the United States to a “first inventor-to-file” system from a “first-to-invent” system. These significant changes required USPTO to issue new regulations. USPTO has successfully met both its September 2012 and March 2013 deadlines to issue new rules required by the AIA. These fundamental changes required significant planning, outreach, and communication with stakeholders.

AIA allowed the USPTO Director to set or adjust any patent or trademark fee to cover the aggregate estimated USPTO costs for patent and trademark processing, services, and materials (including administrative costs). USPTO issued its final rule on setting and adjusting patent fees on January 18, 2013, and implemented those fees on March 19, 2013. USPTO anticipates its new fees will provide a sufficient amount of aggregate revenue to cover its aggregate costs of operation, implement a sustainable funding model, reduce the current patent backlog, decrease patent application pendency, improve patent quality, and upgrade the office’s IT capability. However, USPTO continues to face challenges in effectively developing and implementing technology solutions to support AIA requirements and its general patent processing operations. My office is conducting an audit on the agency’s efforts to implement the provisions of this legislation and anticipates issuing a final report in late fiscal year 2013.

AIA also contains 37 provisions for implementation within 4 years. As of February 19, 2013, we determined that 26 of 37 provisions (70 percent) had been implemented. Of the remaining 10 provisions, some reports are overdue while others have not yet reached their deadlines. Table 3 below summarizes the status of the 37 provisions:

TABLE 3.—STATUS OF AIA PROVISIONS, AS OF FEBRUARY 19, 2013

Deliverable	Implemented	Overdue	Not yet due	Total
Rules	20	.....	3	23
Reports	2	3	4	9
Programs	4	.....	.....	4
Requirement .....	.....	.....	1	1
Total	26	3	8	37

SOURCE.—OIG analysis of USPTO data.

DEPARTMENTAL OPERATIONAL CONTROLS AND OVERSIGHT—STRENGTHEN OPERATIONAL CONTROLS AND OVERSIGHT UNDER CONSTRAINED BUDGETS

Since fiscal year 1999, the Department has received unqualified audit opinions on its financial statements. While these results have been successful from a financial reporting perspective, it is not an adequate benchmark for internal controls and management oversight of day-to-day operations, especially in today’s constrained budget environment. As emphasized in our most recent *TMC*, there is a greater risk that management will take shortcuts, loosen internal controls, and deemphasize oversight in order to devote resources to other requirements.

While management has increased Departmental-level oversight in recent years, such as reviewing high-risk IT investments and reducing use of high-risk contracts, more needs to be done. Recent concerns over conference spending and unauthorized reprogramming of funds have highlighted the importance of strong internal controls and the continued need for effective oversight.

Meeting Funds—Control Challenges

Budgetary mismanagement.—In June 2012, the Appropriations Subcommittee approved the Department's \$35.6 million reprogramming request to support NOAA National Weather Service (NWS) operations. An internal inquiry report prepared by the Department highlighted mismanagement of budgetary resources throughout NWS, as well as specific instances where accounting records were manipulated. This highlights the need for increased oversight and transparency.

To its credit, the Department has issued directives requiring immediate and across-the-board corrective actions and expanded management's review of internal controls (per Office of Management and Budget [OMB] Circular A-123)¹² in response to this incident. However, the 6-month-long investigation of this incident and subsequent development and implementation of corrective actions have diverted management away from other critical functions. Departmental management needs to instill an accountability culture with increased transparency, readily available support, and independent validation. We are currently conducting a review of the Department's and NOAA's progress on its actions in response to the internal inquiry report.

Conference spending.—In April 2012, we evaluated the Department's quarterly conference reporting process, in which it submitted to OIG costs, its report validation process, and an explanation of ongoing improvements to conference reporting guidance. Our objective was to determine whether the Department had established controls and provided guidance to bureaus for reporting quarterly conference data in the first quarter of fiscal year 2012.

Our review found that the Department established initial operational processes and reporting guidance. However, these processes are still in development and need to become clearly established before the information in its periodic reports is fully reliable. We noted that:

- The bureaus over- and under-reported costs by \$37,000 and \$70,000, respectively, and reported \$280,000 in unsupported costs; and
- The Department accepted bureaus' conference spending data with only a limited validation of the reported data and planning procedures, which resulted in incorrect reporting for select conferences.

The Department has also not been timely in submitting its quarterly conference spending reports to OIG as required. However, it recently provided the three previous quarter reports (through the first quarter of fiscal year 2013) that were overdue.

The Department needs to address these concerns to ensure the reliability of conference data in future submissions. In addition, we are reviewing fiscal years 2011–2012 conference costs associated with the Manufacturing Extension Partnership program, based on a congressional request.

Addressing Issues of Ethics and Compliance Concerning Departmental Employees

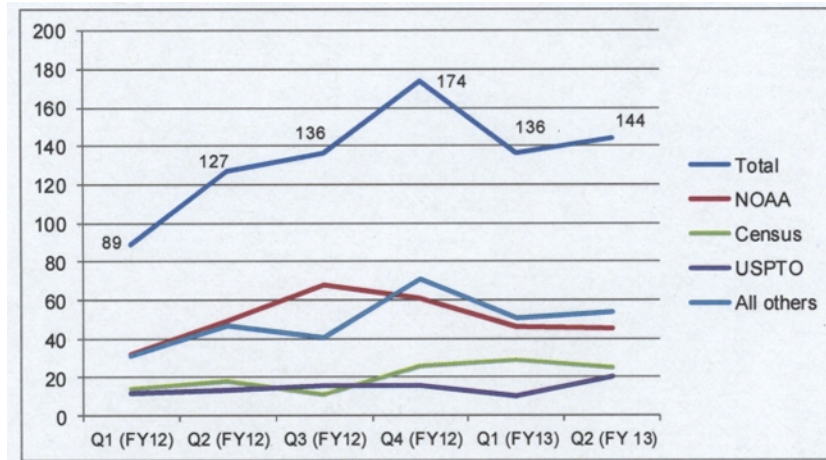
Loosened internal controls and relaxed oversight can increase the misuse of Federal funds and lessen public confidence in the Government. The following investigative case examples underscore the need for stronger controls and more vigilant oversight to prevent fraud, waste, and abuse within the Department and among its grant recipients and contractors:

- Former executive directors of a commission that received a NOAA grant misused \$575,000 in grant funds; subsequently, they were indicted—and plead guilty—to charges of theft, bribery, and wire fraud;
- A NIST grantee diverted more than \$100,000 from a \$2 million NIST grant to a related company for non-grant-related expenses; and
- Several recipients of Departmental funds committed price fixing, used defective merchandise, conducted money laundering, and made false statements.

Over the past several quarters, Department-related complaints made to the OIG hotline have generally increased (see figure 4), driven largely by growth in complaints related to NOAA and other smaller bureaus. While some complaints may have been caused by misunderstanding or miscommunication, OIG reviews all complaints with due diligence.

¹²Office of Management and Budget, December 21, 2004. Management's Responsibility for Internal Control, OMB Circular A-123. Washington, DC: OMB.

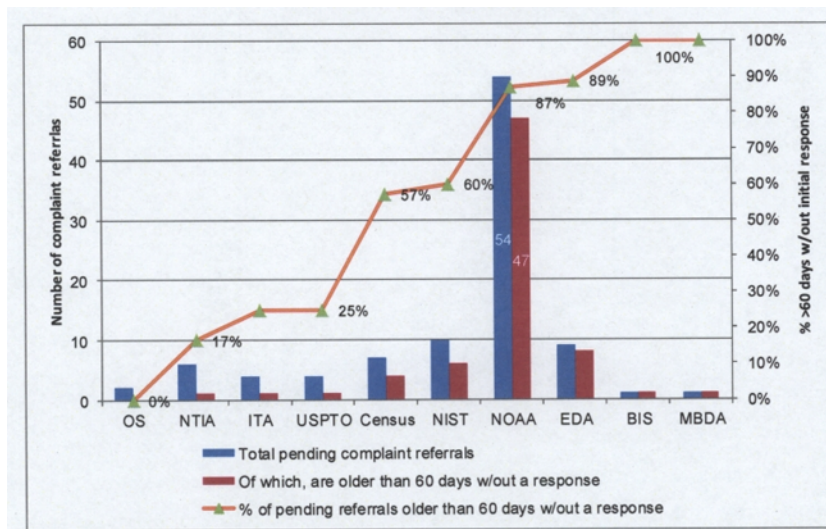
FIGURE 4. OIG HOTLINE DEPARTMENT-RELATED COMPLAINT ACTIVITY
(First Quarter Fiscal Year 2012–Second Quarter Fiscal Year 2013)



SOURCE.—OIG data, April 2013.

OIG provides complaints related to mismanagement and minor misconduct to the responsible bureaus for proper handling. However, many cases referred to bureaus for inquiry have not been handled in a timely manner (see figure 5 below). As of April 10, 2013, OIG had 98 cases pending an initial response from bureaus, of which 70 (71 percent) were older than 60 days. Departmental policy requires that bureaus provide OIG with a written response within 60 days of receiving a complaint referral.

FIGURE 5. OIG HOTLINE COMPLAINT REFERRALS OLDER THAN 60 DAYS WITHOUT AN INITIAL RESPONSE



SOURCE.—OIG data, April 2013.

To provide effective oversight, the Department must address complaints referred by OIG promptly and work to provide effective internal controls to help prevent

issues before they occur. We will continue working with the Department to enhance handling of these complaints.

Strengthening IT Security and Investments

In fiscal year 2012, the Department planned to invest \$2.4 billion in IT. This is about 25 percent of its annual budget, one of the highest percentages devoted to IT among all civilian agencies. The Department and its operating units rely on IT to support major mission activities, such as producing the decennial census; releasing vital economic statistics (e.g., the gross domestic product and consumer spending); granting patents and trademarks; issuing severe weather alerts; and operating weather satellites. However, we have identified major concerns in the Department's IT security posture and fragmented IT governance.

While the Department's Office of the Chief Information Officer (OCIO) has taken steps to strengthen IT governance, we continue to find significant security vulnerabilities in bureau systems that could lead, and already have led, to service disruptions and loss of sensitive information. Four priorities for management attention are:

- Continuing to improve the Department's IT security posture by addressing persistent security weaknesses;
- Developing resilient incident response and recovery capabilities with increased monitoring of Internet traffic;
- Managing the Department's IT portfolio with enhanced governance structure; and
- Strengthening oversight of IT investments.

Continuing to improve the Department's IT security posture by addressing persistent security weaknesses.—In recent years, we have repeatedly identified significant weaknesses in basic security measures protecting IT systems and information, such as high-risk vulnerabilities, deficient patch management, inadequate secure configurations, and ineffective vulnerability scanning. In January 2013, the Department's OCIO started deploying an enterprise-wide solution—the Enterprise Cybersecurity Monitoring and Operations (ECMO). This solution will provide an automated mechanism to address these persistent security weaknesses on information system components, such as workstations and servers. ECMO is funded through yearly working capital fund contributions from all Commerce operating units. When completed, it should provide ongoing awareness of information security vulnerabilities and threats to support risk management decisions for the entire Department, as required by OMB.

Developing resilient incident response and recovery capabilities with increased monitoring of internet traffic.—Later this year, we will issue a report based on our ongoing review of the Economic Development Administration (EDA) incident that began in December 2011. Our report will highlight the challenges that the Department faces when responding to a cyber event. To address these challenges, the Department OCIO recently completed an internal review of its Computer Incident Response Team (DOC CIRT) capability. This review provides recommendations to improve incident identification, analysis, response, and reporting. In addition, OIG has initiated an audit of Department-wide incident handling capabilities.

The Department has made a concerted effort to implement OMB's Trusted Internet Connection (TIC) Initiative, which should better monitor cyber threats from the Internet. All operating units, except the Census Bureau, have definite timelines for TIC implementation. Due to the concern over TIC's inspection process, which could allow third parties to access sensitive information that must be protected against disclosure by title 13 of the United States Code. The Census Bureau has no definite timeline for TIC implementation. In our *TMC* report, we asked the Department to assign a high priority to helping the Bureau resolve its concern about potential violation of title 13 requirements. So far, no significant progress has been made.

Also, the Department OCIO considering options for implementing an Enterprise Security Operations Center, which will support centralized monitoring of the Department's networks in near real-time, 24 hours a day, 7 days a week.

Managing the Department's IT portfolio with enhanced governance structure.—We previously attributed the Department's long-standing information security weaknesses to its fragmented CIO governance, which resulted in stovepipes in IT investments and difficulties in fixing persistent security weaknesses. In June 2012, the Acting Secretary issued the "Department IT Portfolio Management Strategy", which expanded the role of the Department's CIO. Previously limited to policymaking and infrastructure maintenance, the Commerce CIO now implements Department-wide IT shared commodity services, approves bureaus' IT investments, and provides at least 25 percent of performance appraisals of individuals responsible for IT com-

modity services. Under the new strategy, there will be only one CIO per bureau for better accountability.

This new strategy is an important step. However, it is too early to judge its effectiveness for two reasons. First, historically, operating units have functioned independently on IT matters with little Departmental direction. Second, the new strategy focused on increasing the Department CIO's influence on IT shared commodity services such as networks, data centers, and emails, which account for only about 25 percent of the Department's total IT investments. Senior management should consider further enhancing the IT governance structure to help ensure the Department's success with major IT investments.

Strengthening oversight of IT investments.—The Department's IT review board, led by the CIO and Chief Financial Officer (CFO), reviews major IT investments for status updates and requests for additional spending authority and conducts TechStat reviews, which focus on putting troubled investments back on track. The Department's CIO has taken steps to improve the IT investment review process, such as having operating units submit project information to the CIO's subject matter experts for analysis before the review meeting. In our November 2012 Top Management Challenges, we noted that three of six troubled IT investments had remained at high risk for more than 12 months, and about 25 percent of the Department's major IT investments were 30 percent or more behind schedule. The situation has improved since then: as of February 2013, two investments are at high risk. However, the CIO and CFO, in conjunction with operating unit heads, must continue to ensure that program management is more aggressively addressing investments with a history of high risk.

Improving Contracts Oversight

In fiscal year 2012, the Department obligated approximately \$2.4 billion on contracts for goods and services, including satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, IT, and construction and facilities management. Table 4 illustrates the amounts that the Department's operating units have obligated through contracts in recent years.

TABLE 4. AMOUNTS OBLIGATED BY DEPARTMENTAL OPERATING UNITS

(Dollars in millions)

	Fiscal year 2010		Fiscal year 2011		Fiscal year 2012	
	Contract actions ¹	Amount	Contract actions ¹	Amount	Contract actions ¹	Amount
Commerce Acquisition Office						
NOAA	16,087	\$1,624	14,159	\$1,160	13,939	\$1,204
Census	3,187	1,312	1,849	522	1,957	249
USPTO	1,619	431	2,134	388	2,540	588
NIST	4,992	505	5,224	253	5,792	244
Office of the Secretary	870	53	1,161	44	1,023	64
TOTAL	26,755	\$3,925	24,527	\$2,367	25,251	\$2,349

¹ Include contracts, delivery orders, task orders, and contract modifications.

SOURCE.—Department of Commerce Office of Acquisition Management.

To maximize the effective use of these funds, the Department needs to strengthen its acquisition and contract management practices. While it has made some progress—such as reorganizing the Office of Acquisition Management to more directly address major acquisition initiatives and implementing an Acquisition Center of Excellence—our audit work continues to find weaknesses in how the Department plans, administers, and oversees its contracts and acquisition programs. We have identified three tasks for management attention:

- Oversee high-risk contracts;
- Maintain a sufficient acquisition workforce; and
- Implement an effective suspension and debarment program.

Oversee high-risk contracts.—In fiscal year 2011, the Department reported progress in reducing dollar amounts of high-risk contract awards. Despite this progress, overseeing existing high-risk contracts remains a challenge to management. We continue to find weaknesses in the use of cost-plus-award-fee (CPAF) and cost-plus-award-term (CPAT) contracts, which put the Department's contract dollars at risk. CPAF and CPAT contracts can encourage excellence by providing financial incentives based on performance, but they require effective contract provisions and

monitoring to ensure contract dollars are spent wisely and award fees and terms are justified.

In May 2012, we reported that NOAA did not use measurable evaluation criteria or payment structures to motivate exceptional performance. Ultimately, NOAA consistently gave contractors high ratings and substantial award fees and contract extensions, despite lacking adequate support for their actual performance, as measured by evaluation criteria and required by OMB. Based on our audit, we found that more than \$40 million was paid in award fees or approved for contract extensions without proper justification. While NOAA has recently stated it has updated its policies and taken steps to improve oversight of CPAF and CPAT contracts, effective implementation of its measures will be critical to ensuring it does not pay improper award fees and extend contract terms.

Poor data systems could also undermine the Department's efforts in managing its high-risk contracts. Our audits have found that Departmental acquisition information reported in the Federal Procurement Data System-Next Generation (FPDS-NG) is incomplete and inaccurate. For example, in May 2012, we reported that the complete picture of NOAA's use of CPAF and CPAT contracts was unclear. Data reported in FPDS-NG and NOAA records on the use of CPAF and CPAT contracts were also inaccurate and incomplete.¹³ To continue our focus in areas of high-risk contract practices within the Department, we initiated an audit of the Department's management of time and material and labor hours contracts and will be reporting on this issue later this year. These contracts are considered high-risk award actions because they offer little or no incentive to contractors to operate efficiently and minimize costs to the Government.

Maintain a sufficient acquisition workforce.—In a March 2009 memorandum, the President acknowledged that the Federal Government needs to ensure that it has the workforce needed to carry out robust and thorough oversight of contracts to help program management achieve goals, avoid significant overcharges, and curb wasteful spending. However, the capacity and the capability of the Department's acquisition workforce to oversee and manage contracts face major challenges due to high turnover and employee retirement, coupled with a significantly reduced budget, gaps in key competency areas, and expanded workload. Like many Federal agencies, the Department is faced with the major challenge of replacing existing talent because of a large number of retirements expected over the next several years. Of the approximately 200 contracting officers and specialists that the Department employs, more than one-half can retire within 10 years. In addition, 14 percent of them are eligible for immediate retirement. Replacing these employees represents a significant challenge, as many possess unique skills and institutional knowledge that will be difficult to replace.

Implement an effective suspension and debarment program.—We previously reported on the challenges facing the Department in ensuring that it contracts with and provides funding assistance only to responsible parties.¹⁴ Since finalizing its first suspension or debarment action in more than 15 years, in April 2011, the Department has made progress toward establishing an efficient and durable suspension and debarment program. OIG has referred 10 matters, including 5 since September 2011, to the Department's suspending and debarring official (SDO). Based on these referrals, as of March 1, 2013, the SDO has taken 48 total actions and declined one referral.

The SDO continues efforts toward establishing a strong program, including:

- Regular attendance at monthly meetings of the Interagency Suspension and Debarment Committee;
- Designation of a Suspension and Debarment Coordinator, who serves as a focal point for the program;
- Preliminary planning for routine intradepartmental training on suspension and debarment; and
- Establishment of regular meetings with the Department's Office of General Counsel and OIG's Office of Counsel.

However, certain issues present ongoing challenges. Although the SDO's office has begun drafting policy documents to institutionalize processes and procedures regarding the referral, review, and issuance of suspension and debarment matters, the adoption process needs to be finalized. Also, even though the SDO's processing efficiency has increased over the past year, there is room for improvement regarding the prompt review of referrals. In addition, the program lacks a clear delineation

¹³ NOAA is the largest of all of the Department's procurement offices, obligating nearly half of the fiscal year 2011 funding.

¹⁴ DOC OIG, October 2011. *Top Management Challenges Facing the Department of Commerce*, OIG-12-003. Washington, DC: DOC OIG.

of roles and responsibilities in such important areas as revising and adapting draft documents prepared by OIG for possible use in suspension and debarment actions and appropriately following up on actions once taken.

Overseeing Use of Federal Funds Awarded to Grantees

The Department has more than 70 programs authorized to award grants. Between fiscal years 2009 and 2011, these programs issued almost \$10 billion in American Recovery and Reinvestment Act of 2009 (ARRA) and non-ARRA awards. Ensuring timely resolution of grant audit findings and corrective actions is an essential aspect of grant oversight. In December 2012, we reported to the Department that there were 12 unresolved audits, including 1 that was past due.

With approximately \$3.8 billion in grant awards, the ARRA-funded Broadband Technology Opportunities Program (BTOP) represents the most significant investment of Federal funds in the Department. As of December 31, 2012, about 33 percent of BTOP funds remain to be disbursed. As these projects near their required 3-year completion dates (between November 2012 and September 30, 2013), the potential for fraud, waste, and abuse associated with such large-dollar-amount awards will increase as recipient spending increases. Management needs to remain committed to monitoring BTOP recipient compliance with grant award terms and achievement of intended benefits.

Strengthening Spectrum Management and Public Safety

On February 22, 2012, the President signed the Middle Class Tax Relief and Job Creation Act of 2012, which assigned the D-Block spectrum and provided \$7 billion to NTIA to establish an interoperable nationwide Public Safety Broadband Network (PSBN). As required by the legislation, NTIA has established an independent authority called First Responder Network Authority (FirstNet) to be the holder of the existing public safety spectrum and be responsible for the establishment and deployment of the PSBN. It is important for NTIA to take into consideration the lessons learned from earlier public safety network efforts when establishing FirstNet, such as establishing local/state governance structures in compressed timeframes.

Radio frequency spectrum provides an array of wireless communications services critical to the U.S. economy and supports a variety of government functions.¹⁵ In June 2010, the President requested that 500 MHz of spectrum be freed up for commercial sale. The National Telecommunications and Information Administration (NTIA) announced in March 2012, that the Federal Government intends to repurpose 95 MHz of prime spectrum for commercial use, if certain challenges are met. However, the \$18 billion price tag to relocate existing Federal users could make this cost prohibitive. A July 2012 report by the President's Council of Advisors on Science and Technology recommended that up to 1000 MHz of Federal spectrum be made available for a "shared use spectrum superhighway",¹⁶ between Federal agencies and commercial providers. Recent technology advances make the shared-use architecture feasible in the near future; however, many challenges such as lack of incentive for commercial providers to bid for shared spectrum, revenue generation, and rights of use issues must be addressed to make this effort a possibility. A strong partnership between the Federal Government (i.e., NTIA and the Federal Communications Commission) and commercial providers will be needed to make this program a reality.

This concludes my prepared statement, and I will be pleased to respond to any questions you or other subcommittee members may have.

Chairwoman MIKULSKI. Mr. Zinser, thank you very much for, first of all, the work that you do and this crisp testimony.

I am going to return.

Senator Shelby.

Senator SHELBY. I have some questions, Madam Chairman, I would like to put in the record just for convenience.

Chairwoman MIKULSKI. The subcommittee stands in recess. I will go vote and I will be back and invite any other Members to do so. Thank you very much.

¹⁵ U.S. Government Accountability Office, April 2011. *Spectrum Management*, Washington, DC: GAO, 1.

¹⁶ President's Council of Advisors on Science and Technology, July 2012. *Realizing the Full Potential of Government-Held Spectrum to Spur Economic Growth*. Washington, DC: President's Council of Advisors on Science and Technology, 11.

The CJS Subcommittee will reconvene.

Mr. Zinser, that was a terrific testimony, and you stuck within the 7 minutes and we appreciated it. As you know, it is a big vote. It is our cloture on gun control. But we wanted you at the table.

Speaking now as the chair of the full committee, our Committee wants to be known not only as the Committee that spends, but that we spend wisely. If you read the history of our Committee—and of course, our Senator Robert C. Byrd of blessed memory often spoke of us as the quiet guardians of the purse. Well, we intend to be the guardians of the purse and not be quiet about it.

Rather than just pop off politics where we ask Departments to function based on what we think, I am a data-driven Senator, and I believe that the tools of the inspector general and GAO are really our two basic tools where professionals have really dived deeply into these programs and offer us advice on better management, getting more value for our fiscal expenditures, and also something that I have witnessed over the years is techno-boondoggles where good intentions do not necessarily result in sound technology, technology that has efficacy, interoperability, all of those things. So really, we count on you and I count on you. And it is really the entire inspector general corps that I think we value.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION SATELLITES

Now, I want to go right to the questions that you raised, and I would like to go to the NOAA satellite program because an out-of-control NOAA weather satellite program could eat our subcommittee's appropriation alive. It could just really be a carnivorous whale. And my question to you is are we on the right track? And if we are, how do we on this subcommittee take demonstrable steps to keep us on the right track? If you do not think we are, what are those steps? And number three, should we return to Tom Young and ask for another independent analysis?

Mr. ZINSER. Thank you, Madam Chairwoman.

In talking about NOAA satellite programs, you have to talk about JPSS and the GOES-R program somewhat separately.

Chairwoman MIKULSKI. You talk to us any way you want about how we make sure that we really do the reforms necessary for satellite programs, not only one of them.

Mr. ZINSER. The President's budget proposal that was just announced proposes significant changes to the JPSS program. Prior to the administration's budget proposal, our concern was that the JPSS program lacked an independent cost estimate that could be used to validate the program's cost estimate.

Well, the proposal, as best as I can understand it, for JPSS removes a number of instruments or sensors from the satellite, from JPSS and thereby changes the entire landscape for that program where I think it would be very important, even more important now, to get that independent cost estimate, and then if you were to bring Tom Young back in, the independent review team back in, my sense is that you ask that they focus on the JPSS program. Their report back in July, as Dr. Blank mentioned, was fairly satisfied with the GOES-R program and had more concerns about the JPSS program.

Now, next week or the week following, we are planning to issue a report on the GOES-R program. Our concern with GOES-R or the issue with GOES-R is really meeting the October 2015 launch date. Right now, the program is suggesting that there is less than a 50-percent chance that they are going to meet that date. As a result, they are going to have to make—

Chairwoman MIKULSKI. Could you repeat that?

Mr. ZINSER. Yes. The most important thing for GOES-R right now is that they meet their October 2015 launch date, and the program itself is indicating that there is less than a 50-percent chance that they are going to meet that date. And so there is a lot of work that has to be done to meet that date. And of course, that date is important because of a potential gap that could occur to where if they do not meet that launch date, then their policy of having two satellites operational and one spare on orbit becomes at risk. Right now, the GOES-R program has three satellites: one looking at the east coast, one looking at the west coast, and one in spare. And last fall in September, they actually had to take the spare out and put it in operation because of problems with GOES-13. Now, if that October 2015 launch date slips, then the risk of having those three satellites in place and being able to use them becomes at risk.

So in trying to meet that 2015 launch date, the program may have to make some tradeoffs. For example, they may have to do less testing on the ground of some instruments or less testing than they would prefer in order to meet that date. So they have to make those tradeoffs. And what we think is that they have to prioritize those tradeoffs, identify the triggers, and then make sure that all the stakeholders understand exactly what they are doing. So from our perspective, that is the biggest issue on the GOES-R program.

Chairwoman MIKULSKI. Well, I think that is enormously helpful. And after this testimony and the conclusion of this hearing, I hope over the next several weeks as we look at our spending, you could offer us the kind of guidance that we can insist upon in our bill, and we welcome that, and also issues that I will raise with the next appointee for the Secretary of Commerce. I am concerned that no one has been named. I think Dr. Blank has had the spirit of a reformer, and we cannot let this lag.

So the other is that I am concerned that as they moved into the cost overruns—we really want to modernize the NWS. Dr. Uccellini has spoken about it. America is now asking questions about the European model and why were they more accurate. And there are three models. And I was out at our new weather facility, in fact, several times. And the fact is that NWS is so crucial to the functioning of our country and our international relations, that we have got to be prime time, and I cannot have satellite mismanagement or satellite misfocus or missed priorities or missed deadlines just taking our money when there is so much else we need to do with NWS.

Mr. ZINSER. Yes. I think there is some good news in the satellite.

Chairwoman MIKULSKI. Can you share it?

Mr. ZINSER. I think that the Suomi-NPP satellite and the instruments on that satellite are providing exceptional data, and it is data that the rest of the world is anxious to get. And I think that with Dr. Uccellini in place, he understands more than probably

anybody the importance of modeling and what is needed there to modernize the models that NWS is using. But I do think that on those two fronts, there is some reason to be optimistic.

2020 CENSUS

Chairwoman MIKULSKI. In the time we have, I also want to cover the census. You know, when I became the chair of this subcommittee—this is at the beginning of the Obama administration—and even when we worked with then Secretary Gutierrez, going back to the census, under President Bush, the Census never seems to get it together here with this. Could you advise us—when you then gave the idea of how much more it will cost than it did in 2010—and it was really this subcommittee, working with Secretary Gutierrez, that drove the reforms that got us through the 2010. We want to practice preventive medicine here.

And again, this is a Department without a leader. We are not saying that it is rudderless. What you have is a dedicated civil service that has been pounded on and battered both in the budget and elsewhere, and we are asking them to stay on track. But you need a chief executive.

What would you also say to us about the census and what we should be looking at here?

Mr. ZINSER. Well, currently the Census is engaged in a very extensive research effort to try to determine how the 2020 should be designed, what exactly they will do to carry out the 2020 decennial. And there is a whole list of research projects that they have been engaged in. They cannot fund all the projects that they would like to fund. So the process that they are engaged in right now is prioritizing which research projects that they absolutely need to complete. We think that this priority should look at three different areas.

The first area I think that the Census Bureau needs to maintain their research and testing on is in the area of their address listing. The address list is the key to the Census, and they need to develop ways to keep that address list current throughout the decade as opposed to what they have done in the past, which is very expensive, end-of-the-decade exercises to update the list. So they need to do research to figure out how they can keep their list up to date throughout the decade and avoid expensive costs at the end of the decade trying to update that list. And that also involves their mapping. It is called GSS right now, the project that they have to keep that current. I do think that there has been some money that has been reduced from their budget for that program. I do not know what the impact of that would be. But we think that the address list and the mapping is critical.

Second, they have to continue their research on how they could use administrative records to reduce the cost of a nonresponse follow-up. You know, a nonresponse follow-up—right now their process is to go out to a household four, five, six, seven times trying to get the resident there to respond to their questionnaire. A lot of the information that they would get is already existing in records that the Government has. So they need to keep their research in the area of administrative records. So that would be the second area that they need to prioritize.

And then third is their technology. The biggest techno—
Chairwoman MIKULSKI. Boondoggle.

Mr. ZINSER [continuing]. Boondoggle was the handheld computer in 2010. There was an elaborate effort to use a handheld computer for many, many different functions. It was overly complicated. They have to go back and find out how they can use mobile technology to reduce the costs of the nonresponse follow-up. That is going to be critical.

And if I could add one other area that they need to focus on. It is kind of an inside issue. Last time, the Census did a very good job in scheduling. They did a fair job in budgeting, but they did not combine those two efforts. So they had a schedule and they had a budget, but they did not know how the schedule impacted the budget. We have been pushing them to make sure that the budget is integrated this time around so that they know how much they are spending and how much they have left to spend.

Chairwoman MIKULSKI. Well, this is very insightful, and I think it helps us as we look at the resources and where we direct the resources. It also gives us excellent questions that we want to ask in the confirmation hearing.

And I think also one of our recommendations is that whoever is the Secretary of Commerce, who is supposed to be the President's ambassador to business and also the new head of the Census, that they really engage with the digital world. You know, we cannot have an adversarial relationship with business. And business, apart from getting contracts and worrying about their intellectual property themselves—the world of digital is changing so rapidly. We cannot buy the latest thing today because the latest thing for 8 years from now is going to be ridiculous. Just look at the smart phone. You and I—I mean, just look at the last decade, Sir. From the advent of the smart phone to the iPad, which was too klutzy for me, too big—not klutzy—to the mini which would be now ubiquitous. And our question is not buying new technology but how we could use it to help take the census and yet protect the information, which I am going to get to. And I just think we need to be involved with the private sector.

Do you agree with that?

Mr. ZINSER. Absolutely.

Chairwoman MIKULSKI. To just say, you know, this is where we think we will be in 5 years to help you, be able to help fulfill your—the Census is a constitutionally mandated responsibility. It is the only thing in our bill that is constitutionally mandated.

Mr. ZINSER. I do think that the Census Bureau is reaching out to that community, and I do not know exactly what the results are. But I am confident they are reaching out to that community.

Chairwoman MIKULSKI. Well, let me go to one other question because I am going to have to wrap up as well.

CYBER AND CYBERSECURITY

This goes to cyber and cybersecurity. And within the Commerce Department, you have agencies that will play a role in protecting America, NIST, and that which can be incredibly victimized, one of which would be USPTO, the cyber espionage, stealing our intellectual property. And there it is in USPTO like pigeons being plucked.

First of all, as the inspector general, are you looking across the Department for their efforts in cybersecurity to protect dot gov? By protecting dot gov, we protect then the customers of dot gov.

Mr. ZINSER. Yes. Right now, for example, we have an audit underway to look at the Department's ability to respond to these kind of incidents and how they investigate incidents of hacking. We have engaged in IT security audits of individual bureaus. Last year we looked at ITA. We looked at NTIA. We have examined what happened at EDA and we are planning to issue that report in about a month or so. So we have looked across the Department. There are some common problems in the Department that I do not think are unique to the Department of Commerce. And that involves just nuts and bolts IT security measures.

Chairwoman MIKULSKI. What they call cyber hygiene.

Mr. ZINSER. Yes.

Chairwoman MIKULSKI. In other words, the functional equivalent of what you need to do to keep yourself clean.

Mr. ZINSER. Exactly. Properly classifying your systems, having a robust patch management process, making sure that your workforce is properly certified and trained, those types of things we find problems at the Department.

Chairwoman MIKULSKI. And where does the Department go to for advice on what to do to protect themselves, to protect dot gov?

Mr. ZINSER. Well, the leader in the Government in terms of security is now the Department of Homeland Security (DHS). I know that they work closely with the Department of Homeland Security. They do rely on the National Security Agency (NSA) for help and guidance.

Chairwoman MIKULSKI. Through DHS.

Mr. ZINSER. Yes.

Chairwoman MIKULSKI. Yes.

Mr. ZINSER. And, of course, we do have NIST as kind of the policymaker for IT throughout the Government.

I think the Department is very responsive to our work. We work very closely with the Department's Chief Information Officer (CIO), and I think that the order that Secretary Blank issued last year on kind of changing governance issues of IT in the Department was very responsive to some of the recommendations we have made over the years.

Chairwoman MIKULSKI. Well, that is very insightful. And I am going to be turning back to you for advice in this area, Sir.

CYBERSECURITY IN THE INSPECTOR GENERAL COMMUNITY

I want to ask, though, in terms of our inspector general, I know you are each independent and you are supposed to be. But among yourselves, is there an organization or a collaborative where you say these seem to be common issues that some of us are facing and have a way of thinking about it?

So let me go to exactly what I worry about, and it goes to cyber. And my four concerns about cyber are always the governance, technology development so we are on the cutting edge, workforce development so we have the people available to work not only in the public domain but the private sector, and of course, the constitutional responsibilities in our country of protecting civil liberties and

privacy, that Government itself does not become part of the problem, but we also, in protecting America, make sure we ensure their privacy. So those are always my questions.

Now, as a member of both the Intelligence Committee and the chair of the full Appropriations Committee, I am looking at moving the funding of this subcommittee in the direction of implementing the President's directive on cyber and, at the same time, for agencies, particularly those that are high-risk and most vulnerable, to protect dot gov. My thinking is that in protecting dot gov, we do not ask the private sector to do something we are not doing ourselves.

I worry about techno-boondoggles. I worry that overburdened CIOs at agencies are not getting guidance, that the directors of agencies are like CEOs in the private sector. They do not know that they are being hit, though we do have now the resources of the National Cyber Joint Task Force that looks at these hits.

So let me tell you where I am heading. I want to make sure that I am myself not a boondoggle. And I wonder if the inspector generals are working in a common way on this problem of making sure that we are looking at how we protect dot gov in the area of cyber in the absence of a strong, clear person being in charge of the overall Government effort.

I want to correct myself. I am not saying that Secretary Napolitano is not strong. She has got a couple of inches on me, and we are both pretty spunky and outspoken. Cyber czars do not work.

So my question is I want to make sure we are all heading in the same direction and we do it through funding, achieving the President's implementation, looking at the protection of dot gov, not doing everything all at one time, but in this year's appropriations, making sure the building blocks are there.

Am I on the right track? And what could the inspector generals do to help me be and stay on the right track?

Mr. ZINSER. Madam Chairwoman, the issue of IT security across the inspector general community is one which we all talk about, not so much as a group. But, for example, one area that causes a lot of confusion and consternation is the way we implement the Federal Information Security Management Act (FISMA). Every year we do a FISMA report, and exactly what that report should cover and how it should cover it, quite frankly, is not very satisfactory. There is, for example, a questionnaire that the Office of Management and Budget (OMB) and now DHS sends to all the inspector generals to answer. And they are asking us to answer questions about an entire Department when oftentimes we have not done in-depth enough audit work to answer about an entire Department, but we have looked at various aspects of the Department. So that whole questionnaire process is very unsatisfactory in terms of getting—

Chairwoman MIKULSKI. They are asking you the wrong questions?

Mr. ZINSER. Yes.

Chairwoman MIKULSKI. I think we have a real star in our new head of OMB that is coming. We think Mr. Zients has done a great job as acting, but it is a new day. I would like you to think about what they should be asking from you all so that we can really

begin to be asking the right questions because if you do not ask the right question, there is no way you can get the right answer, or ask the question in a way that gets you to the answer or the problem-solving you need to do.

Mr. ZINSER. I think the community is moving in the right direction. It is now moving toward this continuous monitoring of systems versus the old way which we would look at whether or not a system was properly certified and accredited. So I think that move is correct. But I am not sure that the FISMA rules and statute has kind of kept up with that move, and I think that is an area where I would start.

GOVERNMENT INFORMATION TECHNOLOGY SECURITY

Chairwoman MIKULSKI. I think this is very good, and I think we will probably maybe have a roundtable or a conversation with inspector generals. I have got a lot to learn.

Do you think I am heading in the right direction? And feel free to speak plainly and candidly. This is the way we are going to get jobs done around here.

Mr. ZINSER. Yes, I think you are headed in the right direction. I also think that your emphasis on having the heads of the agencies engaged in this issue is very important. Just getting the heads of a bureau or the head of the Department to start asking their CIOs questions like how many systems do I have, who owns the system, who is the security officer for that system, just having somebody in charge asking those kind of questions of the IT staff will keep the IT staff on their toes and send a signal to them that this is very important.

Chairwoman MIKULSKI. Well, it is a problem. Without divulging the names of an agency yesterday that was not necessarily in this subcommittee's jurisdiction, I asked that executive about IT security. Well, I saw a good number in the President's request, but that was for general IT services. Then I said, well, what is in there for cybersecurity. Well, it was modest. And then I said, well, are you being hit? Well, you know, I leave to my CIO. And I said, now, I want to protect you. I mean, I want to make sure there is the money there to protect you. And her response was, well, we work with—that was again—just like Commerce is a cluster of departments, we have a lot of departments that are the cluster of departments. Well, they are working with the head of that agency. And I said, well, who do they work with. I do not know.

And when you think about what we ask these agency heads, they are trying to manage sequester. They have just lived through the fear of a Government shutdown, a sequester every 10 years. You know how demoralized the workforce is. So to ask them to be on top of their game on info tech and being warm and fuzzy with their CIOs, it is a lot to be asking.

But I need to be asking it because they are getting ready to spend money, and I am not sure the CIOs at agencies know what to do. I really do not know if they know what to do. And that is not being critical, but there are basic techniques. In other words, if the Centers for Disease Control and Prevention were here, they could tell us what we need to do to protect us in a flu. You take

a vaccine. You wash your hands and you do not kiss strangers. All three of those things are important. But it is the same thing here.

So I am going to come back to you for your advice because I think DHS cannot do it by itself, and I think NIST and other agencies can play a role. But we are definitely going to play a role in this subcommittee to do this. But I want to be sure that as I lead this effort on this subcommittee, that we are all going in the same direction across Government, that I myself just do not accelerate the spending of money on things that ultimately at the end of the day the only thing that is accomplished is that we spent money. That is not my goal to spend money. My goal is the outcome of the protection of dot gov for the American people's interests and at the same time for the private sector to see you can do it without over-regulation and overspending. So it is a big goal.

ETHICS COMPLIANCE AND CONFERENCE SPENDING

Now, talking about overspending, this is my last area. I really was taken aback about the ethics compliance and the old conference problems. And when I bring bills to the floor, this is exactly where we become a subject of ridicule. Do you feel that we are getting better at it or are you troubled that these things continue to surface?

First of all, they are two separate issues. Do you feel we are getting conference spending under control?

Mr. ZINSER. Yes. I think that OMB and the Department, at least the Department of Commerce, have put controls in place that will keep the conference spending issue in check.

I think that there is also, though, an issue with travel in general, not necessarily the Department hosting conferences, but attendance at some conferences. I think there are some folks that are in the departments that like to travel. And some travel is necessary; some travel is less necessary. And I think in addition to the controls that have been put in place in terms of conference spending, it would be a good idea to put in controls on foreign travel for conferences by individual members of the departments.

Chairwoman MIKULSKI. That is good.

What about the ethical compliances? Some of these were really surprising to read, you know, money laundering in a Federal agency. Was that by employees or contractors?

Mr. ZINSER. Are you referring—

Chairwoman MIKULSKI. Let us see.

Mr. ZINSER. We cited a few examples in our testimony.

Chairwoman MIKULSKI. Page 15 of your testimony, Sir, at the bottom. You said former executive directors of a commission misused \$575,000 in grant funds. They were indicted to theft, bribery, and wire fraud.

Page 16. Several recipients of departmental funds committed price-fixing, used defective merchandise, and conducted money laundering.

Mr. ZINSER. None of those examples involve—

Chairwoman MIKULSKI. And this was at the Justice Department.

Mr. ZINSER. None of those examples involve Federal employees. They primarily involve Federal grantees or Federal contractors. The issue of Federal grantees misapplying grant funds or con-

verting grant funds for their personal use is really the biggest what I call crime problem at the Department of Commerce.

Chairwoman MIKULSKI. Well, let us talk about that and let us see. I could go to page 20 of your testimony. Your recommendation identified three tasks for management in this area. First of all, they really need to have an aggressive management to oversee high-risk contracts like the satellites. Second, they have to maintain a sufficient acquisition workforce and really train them. And then they have to implement an effective suspension and debarment program. In other words, the word has got to get out if you misuse it, you lose it. Is that not it?

Mr. ZINSER. Exactly.

Chairwoman MIKULSKI. And no nonsense, no second chances, no, gee, I am sad and I did not know I was only supposed to keep receipts in a cigar box.

Mr. ZINSER. Exactly.

Five years ago when I got to Commerce, we learned that Commerce had not suspended or debarred a contractor or grantee in more than 15 years. And so we have worked with the Department to improve that record and we have improved that record. They are now fully on board with using suspension and debarment processes to protect the taxpayers' dollar.

Chairwoman MIKULSKI. I think this is so. And my very good colleague, Senator Tom Coburn, is an active user of your reports and the GAO. And I support many of his efforts. I remember one of our hearings. It was like, you know, \$4 for a meatball. You know, my constituents work so hard for their money, and when they pay their taxes on April 15th, they have got to have confidence in us. And in the big scheme of the Commerce budget to hear about, well, \$500,000, what is \$500,000 when you are spending billions. But to them \$500,000 and then to like one of my nonprofits, \$500,000 could be the viability and survivability of a real youth program that we are talking about today in terms of after-school. After-school is not only safety, but after-school is the kinds of things that mean so much.

So I really think that this is recommendations, and you have given us really a very good MRI of these challenges. And I want to thank you for it, and we look forward to additional conversations on these subjects and particularly the overall conversation with Inspector Generals on the cyber issue. Thank you very much.

Mr. ZINSER. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Chairwoman MIKULSKI. This subcommittee—if there are no further questions—others will be submitted. Senators may submit additional questions for the subcommittee's official hearing. We request the Department of Commerce's response in 30 days.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO HON. REBECCA BLANK

QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

EXPORT CONTROL REFORM—GETTING THE WORD OUT TO SMALL BUSINESSES

Question. Trade is critical for New Hampshire's economy, and exporting represents an exciting opportunity for our small businesses to grow. More than 95 percent of the world's customers live overseas, but only 1 percent of small businesses in the United States sell into foreign markets.

The Department of Commerce plays an important role, along with other agencies, in helping those companies export their goods and services. One way we can help American small businesses reach foreign market is to cut red tape and reduce regulatory burdens related to exporting.

I have been a strong supporter of the administration's efforts to overhauling our export control system, especially because it will cut red tape and reduce export barriers for small businesses. As you know, the current system is a complex, antiquated and restrictive set of regulations designed during the cold war that often gets in the way of trade opportunities, especially for small businesses.

As this effort unfolds, it will be critical that the business community, especially small businesses and downstream suppliers, understand what the administration is doing and how this effort might benefit them.

Secretary Blank, what kind of steps are you taking to help businesses—particularly small businesses—understand the changes that are being made?

Answer. A key goal for ensuring the success of Export Control Reform (ECR) is an informed regulated community. The Bureau of Industry and Security (BIS) has developed and is implementing a targeted and multifaceted outreach program to educate organizations of all sizes on the new regulatory requirements resulting from the new rules. During fiscal year 2012, BIS conducted more than 250 outreach and education activities, of which 87 were devoted to ECR. To date in fiscal year 2013, BIS has conducted more than 160 outreach activities, with more than 100 focusing on ECR.

The goals of the reform effort are to enhance national security by improving interoperability with our close military allies, strengthen the defense industrial base, and optimize government resources. The benefits to exporters, regardless of size, whose items transition from the United States Munitions List (USML) to the Commerce Control List (CCL) are many. For small and medium size firms, the benefits include relief from the expense of registration and license fees imposed by State that are not imposed by Commerce; flexibility to apply for a license before having a firm contract or purchase order; availability of certain license exceptions; and availability of *de minimis* provisions that help remove the incentives for foreign manufacturers to design out U.S. parts and components.

As part of its ECR outreach strategy, BIS is developing services and programs to support the educational requirements of the small defense exporters whose items will transition from the USML to the CCL licensing jurisdiction. At its 2012 Update Conference, BIS initiated, for small firms specifically, an "Exporting for Small & Medium Enterprises Forum." The forum, which was well attended by small firms and their advocates, included BIS specialists, Small Business Administration policy and legal staff, international trade specialists, and foreign trade officials. The presenters focused on the impact export control reform requirements have on small firms and their activities in various dimensions of international trade, such as marketing, financing, sales, and distribution. This forum resulted in BIS receiving input on the areas in which small firms could use additional assistance to raise their awareness, capability, and resources to understand and comply with export controls. Small firm constituents expressed appreciation for raising the visibility and scope of attention to export control and compliance issues. BIS has also increased its focus on identifying small firms through registration for its 2013 Update Conference by requesting responses to registration questions that identify small firm constituents. This will assist BIS in developing program segments intended to address the concerns of small firms. Finally, at the 2013 BIS Update Conference (July 23–25, 2013) BIS will again present a Small and Medium Enterprises (SMEs) roundtable to focus on SME needs and concerns and the intersection of the existing Export Administration Regulations (EAR) with the ECR provisions effective on October 15, 2013.

In October 2012, BIS began partnering with the Society for International Affairs (SIA) on outreach activities. In May 2013, BIS and SIA conducted a 2-day conference which served as the initial outreach to many small firms (mainly parts and components suppliers and manufacturers) whose transactions have typically fallen under the jurisdiction of the Department of State's International Traffic in Arms

Regulations (ITAR). At the conferences, BIS presented an overview of the changes contained in the initial ECR implementation rules published on April 16, 2013. In addition, BIS discussed the impacts of the final rules, which include many changes that will benefit small firms.

In response to questions posed by the exporting community, BIS has complemented this outreach by conducting a weekly teleconference or webinar on specific ECR topics hosted by the Assistant Secretary for Export Administration. BIS has also worked with industry associations (e.g., National Defense Industry Association, National Customs Brokers and Forwarders Association of America, National Association of Small Business, Association of Importers and Exporters, Freight Forwarders Association of America), local District Export Councils, the President's Export Council Subcommittee on Export Administration (PECSEA), and prime contractors with vast supplier networks to further identify and educate small firms about export controls and the reform effort.

BIS will continue to help assure the readiness of exporters to comply with the new licensing requirements. For instance, BIS has already developed and posted on its Web site two Web-based decision tools to help organizations understand two important concepts of the initial rule—the order of review for classifying items on the Commerce Control List (CCL) in light of the addition of the “600 series” items, and the use of the new definition of “specially designed.” These new tools, in addition to the existing online training materials on the BIS Web site, will greatly assist those less familiar with the Export Administration Regulations (EAR). These are for the free use of all companies, but should be particularly helpful for companies with limited resources. We intend to develop additional Web-based decision tools in 2013, such as for deemed exports.

While there will be an initial learning curve, through the use of more positive lists and more clearly defined terms, we expect ECR to make export licensing for small and medium sized businesses less complicated which will benefit U.S. exporters' ability to compete in global markets.

BIS is engaging in additional outreach activities to expand services to small and medium exporters. BIS is also working through the PECSEA's Outreach Subcommittee to partner with the Small Business Association (SBA) on educational outreach activities. A senior SBA official participated in a recent quarterly meeting of the PECSEA. The most recent PECSEA was held on June 4, 2013. We are in the process of creating a dialogue with the SBA and various representatives of the Small Business and Technology Development Center (SBTDC) to help us identify particular issues of concern to the SMEs in the face of changes to the EAR under Export Control Reform. The SBA and representatives of development centers are at the forefront of contact with SMEs. Such perspective will help BIS to more effectively target issues and methods of enhancing SMEs' compliance and improve the administration and enforcement of export controls, especially those transformed by ECR.

As discussed above, BIS personnel are hosting many outreach events, attending exporter conferences, and hosting weekly teleconferences to enable the exporting community to obtain a more in-depth understanding of the upcoming regulatory requirements before the October 15, 2013 date when the first rules go into effect. We expect the reform to make export licensing for small and medium sized businesses less complicated, more consistent, and much timelier—thus, an expected ancillary outcome of ECR is an increase in U.S. global competitiveness.

As items are transferred from USML to CCL, small and medium sized exporters can submit license applications and commodity classification requests (for pre-positioning) to BIS for “600 series” items and receive assistance from our “600 series” licensing officers and the BIS exporter counseling center to answer their specific export licensing questions. BIS's trained export counselors provide licensing assistance via phone and e-mail. In recent years, BIS has responded to more than 30,000 calls annually. In addition, BIS is adopting procedures to respond to exporter product certification requests prior to the end of the 180-day waiting period. Organizations are currently able to submit prospective commodity classification requests (“CCATS”) prior to the effective date for items impacted by the initial implementation rule. CCATS for “600 series” items will undergo interagency review and will be issued to the submitter. Prospective CCATS will not become valid until the final rule's effective date of October 15, 2013.

As BIS moves forward with various rules to implement Export Control Reform, BIS will continue to analyze the impact of each rule on small businesses.

TRADE PROMOTION COORDINATING COMMITTEE—STATE AND FEDERAL COORDINATION

Question. At a field hearing I conducted for the Senate Small Business Committee on exporting, one of the issues I heard is that, at times, State and Federal agencies involved in helping small businesses reach foreign markets can operate at cross purposes.

In New Hampshire, our State office and Federal agencies, including the Department of Commerce's Commercial Service, have a great relationship and work hand in hand. But in other States, that is often not the case.

One suggestion that came out of the field hearing was to have the Trade Promotion Coordinating Committee, which is tasked with coordinating export programs, work with State agencies so that we can leverage resources more effectively and prevent overlap.

Secretary Blank, do you agree with this recommendation? Do you think there is more of an opportunity for State and Federal agencies to work together in a more constructive fashion?

Answer. Thank you for your continued interest and support in the trade promotion area. The continued outreach effort to the business community by Members of Congress is one reason we had record exports in 2012 and based on the latest data available, a record number of companies exporting in 2011. I am a strong supporter of coordinating our export programs with the States, and I also want to make sure Federal, State, and local government partners are collectively devoting more attention and resources to equipping U.S. companies with the tools and knowledge they need to export.

A major reason why we are setting records in the exporting area is because all levels of government are focusing on the subject. With a much smaller percentage of our companies exporting relative to other major competitor countries around the world, I would like to focus on elevating the resources collectively devoted to helping U.S. companies' export. The U.S. Department of Commerce's U.S. Export Assistance Centers (USEACs) are asked to work with State partners when they develop their annual plans, but a number of States do not have export programs with which USEACs can coordinate. Our focus should be on helping these States devote resources to this effort.

To this end, I have directed the Trade Promotion Coordinating Committee (TPCC) to continue to offer its interagency training programming (which includes State government economic development officers), continue to serve as a liaison between different levels of government, and continue to support regional export efforts through the Metropolitan Export Initiative (MEI). The Federal Government partners with the Brookings Institution on the MEI, which focuses on helping metro regions to develop their export assistance infrastructure and also includes working with State partners. As an example of our recent collaborative work with local and State partners, the U.S. & Foreign Commercial Service (US&FCS) recently signed an agreement with the Bluegrass Economic Advancement Movement (BEAM) in Kentucky to coordinate on local trade promotion. Through this agreement, US&FCS will coordinate with BEAM to advance U.S. exports, including through advancing the State's goals as outlined in the Kentucky Export Initiative. This agreement is a good example of how efforts to bring the National Export Initiative to the local level are fostering increased alignment and collaboration between local, State, and Federal entities.

“SINGLE WINDOW” FOR EXPORT COMPLIANCE

Question. At a field hearing I held for the Senate Small Business Committee focused on exporting, one of the challenges we heard from small businesses was the paperwork associated with exporting. One witness from the President's Export Council, Dick Friedman, pointed out that the Council had recommended the creation of a single window that allows exporters to submit all of their regulatory compliance information in one place, instead of submitting it to multiple agencies. The Council noted that the average time it takes to export products from the United States is 6 days, and that reducing this time by 1 day would translate into an increase in U.S. trade by about \$29 billion, according to the World Bank. That would mean thousands of new jobs. I understand that there are multiple agencies that would need to be involved in such an effort, and that there are many steps agencies would need to take to make this recommendation a reality.

Secretary Blank, are there any efforts underway to take a look at that issue? What steps would the administration need to take to begin offering a single window for export regulatory compliance?

Answer. The single window is one of the most important things government can do to help U.S. exporters. Today traders must submit the same clearance informa-

tion for exports and imports to multiple agencies multiple times through a process that is largely paper based and manual. As you point out this adds additional costs both in terms of time and price to a U.S. export. The Department of Homeland Security is working with an interagency team to establish the Automated Commercial Environment (ACE) as the Single Window—the one system through which the trade community will report imports and exports and the government will determine their compliance. The Administration sees this as a major priority and the White House has assigned an National Security Staff (NSS) staff person to monitor progress on this project. Commerce is engaged in this interagency process through Census, the International Trade Administration, and the Bureau of Industry and Security.

QUESTIONS SUBMITTED BY SENATOR RICHARD C. SHELBY

EDA AND THE MANUFACTURING COMMUNITIES FUND

Question. On average, the Economic Development Agency (EDA) has twice as many qualified applications than it can fund in any given year. Despite this demand, the budget proposes to dedicate 35 percent of EDA's total budget to a new manufacturing investment initiative. This shift away from EDA's traditional focus is troubling and raises concerns that communities may discard their well thought out plans to chase after these targeted funds.

Dr. Blank, what is the justification for the shift in EDA's focus and what documentation can you share that will show how this change will serve communities better than the current program structure?

Answer. The President's fiscal year 2014 budget proposal is designed to provide a portfolio of resources that advance catalytic investments in regions across the country. Through the agency's diverse programs, EDA can and will continue to provide a wide array of construction, technical assistance, financing, and strategic planning tools that local and regional entities can utilize to support their communities' unique economic development goals—many of which support the building or expansion of manufacturing facilities. Given the declining cost of energy in the United States, and the fact that many other countries are facing more economic recovery challenges that are much greater than the United States, there is a window of opportunity to lure manufacturing back to America's communities that has been missing for many years.

EDA awards grants that build on and advance strong regional economic development strategies. Over the past 3 years, the administration has proven, through "modest" pilots (Jobs and Innovation Accelerator Challenges, i6 Challenges, and other regional economy initiatives), the success of coordinated and streamlined, multi-agency national challenges that leverage Federal resources in a highly effective way to meet the diverse hard and soft infrastructure needs of regional economies and specific industry sectors. The Investing in Manufacturing Communities (IMC) Partnership (IMCP) is the next logical step in the progression. This successful approach is breaking down silos in Washington and at the regional level, creates effective regional partnerships, while providing significant infrastructure, workforce and innovation capacity resources to American communities to bring manufacturing back.

The IMC Fund represents the scale-up to more resources and a continued focus on inbound investment and manufacturing. The investments made through the IMC will result in increased capacity for U.S. innovation and manufacturing, higher skills for the American workforce, attraction and retention of small businesses serving as suppliers and expanded opportunities for U.S. exports.

Question. In preparing for this program shift, why was a focus placed on manufacturing rather than a generic emphasis on job creation, since creating jobs seems to be the focus of this effort?

Answer. IMCP is not just about jobs today, but re-building our innovation infrastructure that has deteriorated significantly due to the outsourcing of manufacturing. Recent studies have shown how outsourcing has removed a critical element of our innovation ecosystem, and thus places the United States at a competitive disadvantage with other nations who are investing in advanced research and development capacity alongside the manufacturing facilities that were outsourced from the United States.

IMCP seeks to reverse this trend and create more sustainable, higher paying jobs with strategic investments in manufacturing and supply chain hubs located in regions that include access to advanced research and development resources that will fully support our ability to recapture our manufacturing leadership, which is essential to our long-term economic health.

U.S. CENSUS

Question. Dr. Blank, the IG recommendation encourages the Department to oversee the census in their preparations for the next decennial census in an effort to reduce the amount of financial and operational risk.

What steps has the Department taken to become part of the planning process for the next census and how does the Department plan to monitor the Bureau's plans as they begin to gear up for the next decennial census?

Answer. The Under Secretary of Economic Affairs is actively overseeing census preparations for the 2020 decennial. He meets at least weekly with the Census Bureau's Acting Director and the 2020 Census preparations are discussed each week. In addition, the Under Secretary meets twice each month with the career executive team responsible for directly orchestrating the 2020 decennial census efforts. These biweekly meetings include the Census Acting Director, Census Deputy Director, and the Associate Director for the 2020 Census. Topics of these meetings include Census Bureau efforts to address previous IG and GAO recommendations, strategic planning, operational risk management, budget planning, research and testing efforts, stakeholder engagement, and critical design decisions. These meetings are expected to continue throughout the decade.

NTIA-ICANN PROCESS

Question. Since 2005, the Internet Corporation for Assigned Names and Numbers or ICANN has been working on a plan to expand the number of top level domains available on the Internet. The National Telecommunications and Information Administration (NTIA) is the official representative of the U.S. Government to ICANN and is responsible for ensuring that our country's interests are being protected as the Internet evolves. It is my understanding however, that while NTIA has participated; they have done little to protect U.S. companies or consumers.

Dr. Blank, can you tell me what actions NTIA has taken on behalf of U.S. companies and consumers?

Answer. NTIA has done much to protect U.S. companies and consumers at ICANN but we have done so in the context of ICANN's multi-stakeholder process where governments are one set of stakeholders who help shape the development of consensus policies at ICANN. Our role is fully consistent with last year's Senate Resolution (S. Con. Res. 50) that states that it is the "unequivocal policy of the United States to promote a global Internet free from government control and preserve and advance the successful multi-stakeholder model that governs the Internet today."

After 6 years of multi-stakeholder policy development and implementation planning, including input from governments through the Government Advisory Committee (GAC), the ICANN Board of Directors (Board) approved the rules for the new generic top level domain (gTLD) program in June 2011, publishing the rules in the form of an Applicant Guidebook.

One of the underlying motivations for the introduction of new gTLDs has been the promotion of competition in the registration of domain names. Expansion of the gTLD space is expected to provide alternatives to existing gTLDs, as well as a platform for city, geographic, and internationalized domain names. The latter will allow new gTLD operators to create and provide content in native languages and scripts beyond the existing ASCII or Latin scripts. These changes to the domain name system (DNS) should enhance consumer trust and choice and reinforce the global nature of the Internet. A number of applications are brand-focused and may provide brand holders a platform to authenticate products online, potentially helping to combat online piracy. In addition, the GAC has agreed to specific safeguards for new gTLD strings representing sectors vulnerable to piracy.

NTIA has engaged in consultations with a broad range of commercial interests, and has acknowledged that certain trademark owners and other stakeholders have concerns regarding the new gTLD program. Ensuring that the new gTLD program includes effective intellectual property (IP) protection mechanisms to mitigate the costs of defensive registrations and cybersquatting has been a long-standing objective of the commercial interests represented in ICANN's multistakeholder model. Accordingly, the final Applicant Guidebook contains a number of IP-related tools to meet the stated concerns of the business community. Safeguarding the rights of trademark owners and ensuring appropriate consumer protections as the new gTLD process moves forward has been and will remain a priority.

The Department, through the NTIA, has been an active member of the GAC that provides input into ICANN's policymaking processes. We believe that ICANN has made progress in ensuring that its new gTLD program has adequate law enforcement and intellectual property protections. However, we also continue to encourage

ICANN to make additional progress. Within the past several months, we have urged ICANN to improve its Trademark Clearinghouse and Uniform Rapid Suspension system that would protect intellectual property and trademarks. We have also urged ICANN to include strong public interest commitments for new gTLD applicants. More recently, NTIA successfully advocated to include coordinated U.S. agency views, including those of law enforcement and consumer protection agencies, in consensus GAC advice on a broad range of safeguards intended to promote consumer protection and to mitigate against potential abuses in new gTLDs.

All of these measures demonstrate that, in fact, NTIA has done much to protect U.S. companies and consumers as the program to expand gTLDs unfolds. Nonetheless, NTIA is committed to continue collaboration with U.S. agencies and other interested stakeholders as the new gTLD program progresses to mitigate any unintended consequences.

Question. Will NTIA become a vocal advocate for U.S. interests and formally request a delay to ensure that companies and consumers are protected?

Answer. NTIA has been a strong advocate for U.S. interests serving in its role as the U.S. Government representative to the Governmental Advisory Committee (GAC). However, as the Senate admonished in last year's Senate Resolution (S. Con. Res. 50), if we are to advance the multi-stakeholder model of Internet governance, we cannot unilaterally intervene to seek delays or take other actions whenever one group of stakeholders does not want to accept the outcome of the multi-stakeholder process. The most effective means of influencing outcomes at ICANN is for all interested stakeholders to participate actively in the ICANN process. For our part, NTIA routinely consults with interested U.S. stakeholders, and particularly with U.S. agencies, to develop and advance U.S. public policy concerns related to the domain name system. As noted above, NTIA's most recent efforts include successful advocacy for a significant number of consensus GAC safeguards applicable to new generic top level domains (gTLD)s, which are outlined in the April 11, 2013 GAC Beijing Communiqué. These safeguards improve the tools developed by the ICANN community to promote consumer confidence, protect intellectual property, and to broaden the responsibilities of ICANN's accredited Registrars through an improved Registrar Accreditation Agreement.

SATELLITE BUDGETS

Question. In an effort to address their satellite management challenges, the National Oceanic and Atmospheric Administration (NOAA) has worked diligently to bring its satellite program in line with a specific budget number. While I appreciate NOAA's efforts to constrain spending on this troubled program, I am concerned that long-term capability may be sacrificed for short-term authority to manage the program.

Dr. Blank, do you believe that the components that are being sacrificed due to budget constraints are wise or is NOAA making decisions that can be described as penny wise and pound foolish requiring us to pay a higher price in the future by having to recreate these capabilities?

Answer. The administration's fiscal year 2014 budget request for NOAA's satellite portfolio is the result of many months of discussion with our partners NASA, DOD, European Meteorological Satellite (EUMETSAT), the French Space Agency, and the Canadian Defense Department to ensure that development of the space and ground segments of these critical programs can be achieved within the funds requested. The budget request reflects congressional direction provided in the fiscal year 2012 and fiscal year 2013 appropriations bills and the administration's efforts to find cost savings and efficiencies while strengthening satellite management and likelihood of success.

The fiscal year 2014 budget request will provide the funding necessary to complete and integrate the JPSS-1 spacecraft bus and to complete the Advanced Technology Microwave Sounder (ATMS), Cross-track Infrared Sounder (CrIS), the Nadir Ozone Mapping Profiler Suite (OMPS-Nadir), and the Visible/Infrared Imager/Radiometer Suite (VIIRS) instruments, supporting numerical weather prediction and other forecasting activities for the benefit of the American public. The request reflects the administration's decision to maintain all weather instruments within the Joint Polar Satellite System (JPSS), and thus there will be no reduction in NOAA's ability to forecast weather due to lack of space-based observations. Additionally, although NOAA will transfer responsibility of some climate instruments to NASA, this budget provides a transition where select climate observations are retained at NOAA until they will be maintained by NASA.

Full funding of the President's fiscal year 2014 budget request is necessary to achieving planned launch dates, to stay within each program's lifecycle cost, and to maintain control of any technical risk.

CYBERSECURITY WORKFORCE

Question. NIST has been tasked with leading the National Initiative for Cybersecurity Education (NICE). I applaud the goals of NICE and I am hopeful that it can provide the coordination and leadership needed to protect us from cyber-attacks. However, I am concerned that our efforts to develop our cybersecurity capability are not being matched with a similar effort to develop a cybersecurity workforce.

Dr. Blank, one of the goals of the NICE strategic plan is to broaden the pool of individuals prepared to enter the cybersecurity workforce. Could you tell us what efforts are being made by NIST and the Department to advance that goal? Developing a workforce in this area is essential.

Answer. The goal of the National Initiative for Cybersecurity Education (NICE) is to enhance the overall cybersecurity posture of the United States by accelerating the availability of educational and training resources designed to improve the cyber behavior, skills, and knowledge of every segment of the population, enabling a safer cyberspace for all.

The Department of Commerce and NIST, through its role as lead agency and coordinator of NICE, has focused on establishing and promoting a strategic plan for NICE while simultaneously enabling the creation of a cybersecurity workforce framework. The framework is essential to meeting the NICE strategic goals focused on broadening the pool of individuals prepared to enter the cybersecurity workforce and cultivating a globally competitive cybersecurity workforce.

More than 20 Federal departments and agencies participate in the NICE effort. Leads for the four NICE components (awareness, education, workforce, and training/professional development) include the Department of Defense, the Department of Education, the Department of Homeland Security, the National Science Foundation, the Office of the Director of National Intelligence, and the Office of Personnel Management.

The development and dissemination of the National Cybersecurity Workforce Framework (NCWF) (<http://csrc.nist.gov/nice/framework/>) provides a common understanding of and lexicon for cybersecurity work. Defining the cybersecurity population consistently using standardized terms is an essential step in ensuring that we are able to educate, recruit, train, develop, and retain a highly qualified workforce.

As part of the Initiative's broad outreach campaign, we have also engaged extensively with academia and the private sector to increase awareness of the goals of NICE and to encourage the sharing and leveraging of best practices for developing and sustaining a robust cybersecurity workforce. Improving the Federal cybersecurity workforce is also essential, and these efforts of NICE are directly enabling the Administration's Cross-Agency Priority Goal to close the critical IT/Cybersecurity skills gap in the Federal workforce (http://my-goals.performance.gov/sites/default/files/images/Closing_Skills_Gaps_FY13-Q1-CAP_Goal_Update.pdf).

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

Question. Superstorm Sandy took a heavy toll on New Jersey's recreational and commercial fishing industry, causing severe damage to equipment and other property. In response, the Department of Commerce declared a Federal fisheries disaster for both New Jersey and New York. Congress then appropriated \$5 million for these fisheries disasters as part of the fiscal year 2013 Disaster Supplemental Appropriations bill. However, these funds have not yet been released to the States to help fishing communities recover.

What is the National Oceanic and Atmospheric Administration's (NOAA) timeline for providing this fisheries disaster funding to the States?

Answer. NOAA recognizes the urgent need for funding to assist fishing communities in their recovery from Superstorm Sandy. The agency's timeline is to make disaster funding awards to the States within 90 days of receiving State spending plans that meet disaster program and grant requirements. We will continue to work closely with the States of New York and New Jersey on this issue.

Question. Superstorm Sandy revealed the importance of predicting both the path and the intensity of hurricanes. While the predictions regarding Sandy's path were quite accurate, the storm's intensity was much stronger than expected. Had there been better predictions, lives may have been spared and property saved.

How will NOAA incorporate observation networks, such as the Integrated Ocean Observing System (IOOS), into its efforts to improve hurricane forecasting?

Answer. NOAA, through its Hurricane Forecast Improvement Program (HFIP) is actively reviewing and evaluating both the current and potential future observing systems needed to predict hurricane track and intensity. The National Hurricane Center in collaboration with HFIP uses all relevant observations in its forecast process such as satellite, ship observations, buoys, radiosondes, and radar. In recent years HFIP has brought an increased focus on improving NOAA's predictions of intensity. As a part of this increased focus on intensity, it is developing improved modeling capabilities that are key improvements from HFIP. The new models take additional observational data such as aircraft Doppler radar. The Integrated Ocean Observing System is one of the potential future systems under review and evaluation. HFIP is reviewing data sets available from IOOS Regions, especially data sets that describe conditions below the ocean's surface and conditions at the surface from ocean areas sparsely sampled, to determine their potential to improve intensity predictions. If potential is demonstrated, the HFIP program will also evaluate use of IOOS regional models to support National Hurricane Center operations. As these evaluations proceed, recommendations will be made when appropriate to routinely acquire and use these observations operationally.

Question. The fiscal year 2014 budget request for the Economic Development Administration (EDA) cuts funding for Public Works grants by more than 60 percent relative to fiscal year 2012. A significant portion of this funding is reallocated to the proposed Investing in Manufacturing Communities Fund. I am concerned that some hard hit communities in New Jersey that would have been eligible for grants under the Public Works Program may not qualify for grants from the Investing in Manufacturing Communities Fund.

What assurances can you offer to distressed New Jersey communities seeking to construct job-creating infrastructure that Federal assistance will be available?

Answer. EDA's programs are designed to provide a full range of tools and resources to help communities capitalize on their full economic potential. In order to compete in a 21st century economy, communities need both hard and soft infrastructure that is tied to a larger, strategic regional innovation plan. To support these place-based strategies, which are tailored to the unique assets and economic development dynamics of each region, a broad portfolio of solutions is required.

Assisting economically distressed communities create and implement economic recovery strategies that result in sustainable, well-paying jobs is at the core of what EDA does. This will not change and assistance for infrastructure will continue to be made available through both EDA's Public Works and Economic Adjustment Assistance programs.

The Investing in Manufacturing Communities Partnership (IMCP) is a U.S. Governmentwide effort, to help communities adopt best practices in attracting direct investment in the United States. IMCP awards will favor communities committed to long-term development strategies, and incentivize communities—whether distressed, rural, or metropolitan—to leverage their comparative advantages. EDA expects much of the funding awarded through the IMCP to go toward the construction of infrastructure that will help communities attract and retain business investment; thus continuing to recognize and provide substantial assistance for job-creating hard and soft infrastructure investments.

To launch the IMCP in fiscal year 2013, EDA intends to allocate up to \$4 million, distributed evenly amongst EDA's six Regional Offices, to support approximately 20–25 grants to help communities develop regional strategies that are implementation-ready. These strategies will enhance distressed regions' efforts to compete for large scale IMCP grants in the future (50 to 100 times the size of the implementation strategy grants).

In addition to the request for the IMCP, the President's budget includes an increase in the Economic Adjustment Assistance (EAA) Program, which is EDA's most flexible program. The EAA Program provides the Agency a robust array of resources that can be brought to bear to help support construction, technical assistance, and financing projects that will help distressed communities become more competitive and more prosperous. This program allows regions to compete for infrastructure funding, and also other critical non-infrastructure support needed for businesses to successfully compete in global markets.

Question. Many families struggle to make ends meet in New Jersey because it is a high cost-of-living State. I understand that the Bureau of Economic Analysis (BEA) has been working on a statistic to help measure regional price variations, and that such a statistic could be utilized to adjust Federal assistance to account for geographical differences in cost of living.

When do you expect this Regional Price Parity measure will be made available?

Answer. Geographic variation in costs is an important issue, and yet also a very challenging one to resolve with respect to economic measurement. BEA has made great progress in the design and implementation of a cutting edge regional price parity index which will allow for the adjustment of key regional statistics for price parity.

The process for developing new official statistical products involves a series of prototypes and feedback loops, as consensus on methodology is essential. BEA has published prototype estimates of this index for the past 2 years, and expects to publish a final prototype index in June 2013. Based on feedback from customers after the final prototype phase, the expectation is that this new index will become an official series beginning in 2014 with adjusted regional data following.

QUESTIONS SUBMITTED BY SENATOR SUSAN M. COLLINS

Question. Maine's groundfish industry continues to face a great deal of uncertainty as it continues to transition to a new management system, especially given the condition of stocks and commensurate low quotas for the next fishing year.

The National Oceanic and Atmospheric Administration (NOAA) Fisheries has recently promoted and implemented two multispecies catch share programs, one in New England and one on the West Coast, and has also invested considerable resources into both programs. NOAA Fisheries describes the West Coast Program as a "model system of management". Yet, fishermen from Maine involved in the catch share program tell me that they are struggling to make the system work and that they cannot absorb the cost of the at-sea monitoring that is essential to the success of the program.

I very much appreciated the comments of the Deputy Assistant Administrator Samuel Rauch in his March 11 letter to me that NOAA is committed to "doing everything we can to help them transition through these difficult times". The letter acknowledges that the National Marine Fisheries Service (NMFS) is working to cover as much of the cost of at-sea monitoring as possible, which remains an ongoing and serious concern for the groundfish industry.

Looking forward, will NOAA Fisheries continue to prioritize the necessary monitoring funding so that the New England catch share program can be a model system of management? What is the status of electronic monitoring? Could, in your estimate, electronic monitoring be a more cost effective way to monitor fisheries?

Answer. NOAA will cover as much of the New England monitoring costs in fiscal year 2013 as possible within available funding. NOAA is working to ensure that there is a mechanism in place for fishing operations to obtain and pay for required monitoring this coming fishing year, as well as in the future, as monitoring costs eventually transition to the industry. However, our support for monitoring will not apply to special exemptions from fishery regulations that require 100 percent at-sea monitoring coverage. For example, Northeast groundfish sectors can request an exemption from the current minimum mesh size to target redfish, but would be required to pay for the 100 percent observer coverage needed to monitor bycatch in this fishery.

NMFS is working to develop regional implementation plans for the use of electronic monitoring (EM) and electronic reporting (ER) tools; however, EM/ER implementation will require regulatory changes and close collaboration with the industry and Councils to ensure that EM models are practicable, economical, and effective. The New England Fisheries Management Council and Mid-Atlantic Fisheries Council will convene an EM working group to identify existing barriers to EM implementation in New England, and what next steps are necessary to implement EM there. We will work closely with the Council's working group to identify data collection needs, and consider transitional requirements from current to future regulatory programs.

It is important to have realistic expectations of potential benefits and costs of implementing EM. Costs associated with implementation of EM are uncertain and vary depending on the overall monitoring system design, the complexity of equipment installation and maintenance, requirements for reviewing video records, and infrastructure required to collect, process, manage and analyze resulting data. While EM-based solutions are perceived to be more cost-effective than conventional approaches to collect data on full catch, this perception has not yet been validated.

Question. In 2011, the NOAA Fisheries was petitioned to list river herring as threatened under the Endangered Species Act. Given the potential impacts that even a threatened listing could have on our Nation's fishing communities, I hope you will urge NOAA Fisheries to carefully consider effective management plans already in place, such as the programs in my home State of Maine.

River herring are an effective source of bait for Maine fishermen who already adhere to restrictions mandated by the Maine Department of Marine Resources (DMR). The Maine DMR's river herring management plan has proven effective in increasing river herring populations through habitat restoration and improvements, fish passage construction, stocking and transfer programs, and catch limits.

My questions are the following: in your status review of the species, how are you working with State agencies that have successful management programs in place? What more can be done by working proactively with States, particularly States that already have successful management programs in place, to avoid a listing under the Endangered Species Act? And, broadly speaking, when it comes to listed species, does NOAA Fisheries have the necessary resources for monitoring to know when to down-list a species?

Answer. In order to ensure that NMFS has the best available information on alewife and blueback herring throughout their range, we have been working closely with the Atlantic States Marine Fisheries Commission (ASMFC). We are utilizing the information that the ASFMC's River Herring Stock Assessment Committee compiled in the recently completed stock assessment. The Stock Assessment Committee consisted of representatives from various States including Maine. The Committee sought information on State management measures for both species as well as information regarding the status of both species in State waters. This information was considered in the stock assessment, which we are using as an important component of the review of the status of these two species. We have also been coordinating with both the New England and Mid-Atlantic Fishery Management Councils regarding management measures being considered in Federal waters. Additionally, we held three workshops during summer 2012, which were open to the States and the general public, to obtain information for consideration in the ongoing review of the status of river herring. All of this information will be considered in the listing determination. Any river herring conservation efforts/programs that are planned or that have just been implemented will be considered in the listing determination under the joint NMFS/U.S. Fish and Wildlife Service Policy for the Evaluation of Conservation Efforts. Such efforts/programs are evaluated for the certainty that conservation efforts will be implemented and the certainty that the efforts will be effective.

We always welcome opportunities to work proactively with States and other partners to further conservation of species. NMFS believes that such efforts are essential to reduce barriers to migration of river herring that are limiting the range of the species and preventing access to key spawning habitat. We have been working closely with the State of Maine on recovering federally endangered Atlantic salmon, including addressing passage issues at migratory barriers such as dams. Much of this work also benefits river herring, and we will continue to address the passage issues in the State of Maine including through work on smaller watersheds, as river herring are an important component of the diadromous species complex in Maine.

We intend to continue working closely with the Atlantic States Marine Fisheries Commission and interested States on proactive conservation for river herring. We hope to coordinate with ASMFC on its work on a conservation plan for both species, which would address some of the very significant data gaps for this species (e.g., genetic analysis to better inform population structure, ocean migration patterns, and effects of climate change on the species), as well as implement appropriate conservation efforts to address some of the significant threats.

Generally speaking, efforts that reduce threats to a depleted species and improve access to important habitats are likely to reduce the need to list the species under the Endangered Species Act or to facilitate recovery so that any necessary listing is for the minimum amount of time possible. Once a species is listed under the Endangered Species Act (ESA), NMFS is required to develop a recovery plan for that species that identifies criteria that, when met, would result in a determination that the species be removed from the list. NMFS makes every effort to actively monitor listed species to continually assess their status and progress towards meeting the criteria in a recovery plan. In addition, we are required to review the status of listed species every 5 years to determine whether that species is properly classified under the ESA. In conducting that review, we rely on the best available scientific information. While we make every effort to actively monitor listed species, once a species is listed, the ESA mandates a broad range of new management responsibilities including designating critical habitat, conducting section 7 consultations, developing and overseeing implementation of a recovery plan, and issuing enhancement permits, incidental take permits, and scientific research permits.

Question. On August 26, 2010 the Department of Commerce announced approximately 14 initiatives to strengthen the enforcement of U.S. trade laws, consistent with U.S. WTO obligations. While Commerce has implemented a number of these

initiatives, others have been held up for a number of years. For example, one announced initiative that has not been implemented involves the use of “sampling” in Anti-dumping and Countervailing Duty reviews. When there are too many exporting companies for Commerce to individually review each one, Congress has authorized Commerce to either review the largest exporters (usually just two or three companies) or review a random sampling of companies. Commerce rarely uses this authority. Why hasn’t Commerce implemented measures like “sampling”?

Answer. The Department has, in the past, employed a sampling methodology in those rare cases where there were large numbers of exporters involved and the agency already had a sufficient understanding of the nature and structure of the relevant industry to permit the development of a sampling method in the early stages of the proceeding without undue administrative burden or litigation risk. However, the Department recognized the desirability of establishing a more uniform and predictable practice in this area.

On December 16, 2010, the Department published in the *Federal Register* a proposed sampling methodology that would be applied in certain antidumping duty (AD) administrative reviews, along with a request for public comment. After granting parties’ request for extension of the public comment period, the Department received numerous comments from a variety of interested parties, including foreign governments that highlighted the complex nature of the issues. In the near future, the Department will finalize the rules, standards and procedures for sampling respondents in administrative reviews through a Federal Register notice (planned to publish this summer).

QUESTIONS SUBMITTED BY SENATOR LISA MURKOWSKI

Question. I continue to remain concerned about the environmental impact statement (EIS) National Marine Fisheries Service (NMFS) is working on for the Arctic. First, NMFS has no authority to regulate the level of oil and gas activity in the Arctic. The Department of the Interior (DOI) has this authority. Second, the EIS covers impacts to polar bears and walruses, but these are Fish and Wildlife Service (FWS) species and FWS did not participate in the EIS. Third, an EIS is for significant impacts so is not necessary for incidental harassment authorizations (IHAs) for NMFS species because these are allowed only if impacts will be negligible. I expressed my concerns about this EIS last year and though a new draft has been issued my concerns remain the same. There are still problems with necessary interagency coordination and the scope and purpose of the document are unclear. These are big problems which left unaddressed will add uncertainty, litigation risk and delay to future oil and gas development in the Arctic.

What is NMFS plan moving forward to ensure these problems are addressed?

Answer. While NMFS does not regulate the level of oil and gas activity in the Arctic, NMFS is responsible for managing the impacts of oil and gas activity on marine mammals. This means that we must process requests for Marine Mammal Protection Act (MMPA) incidental harassment authorizations, which requires analyzing the effects of an action on marine mammals and working with applicants to identify appropriate mitigation and monitoring measures. The Arctic Oil and Gas Environmental Impact Statement is a decision support tool that analyzes a range of options (i.e., activity levels and mitigation) in order to help NMFS understand the likely impacts of our upcoming decisions of whether to issue or deny the individual incidental harassment authorizations that are expected to be requested and what mitigation to require. DOI’s Bureau of Ocean and Energy Management (BOEM), however, does have authority to directly regulate the level of oil and gas activity in the Arctic and that agency is partnering with NMFS on this Environmental Impact Statement and intends to use it to support its decisions of whether to issue individual permits for geological and geophysical operations under the Outer Continental Shelf Lands Act.

The National Environmental Policy Act (NEPA), pursuant to which this Environmental Impact Statement is being developed, requires that agencies consider the impacts of their activities on all resources (physical, biological, and socioeconomic) in the affected environment, not just those resources under their regulatory jurisdiction. Therefore, this Environmental Impact Statement analyzes the effects of NMFS’ issuance of incidental harassment authorizations and BOEM’s issuance of geological and geophysical permits on all potentially affected resources, including polar bears and walruses, as well as air quality and other resources for which neither agency has regulatory authority.

Environmental Impact Statements are required when effects of the actions being analyzed are expected to be significant. As described in NEPA, significance is measured in the context of multiple factors, including, for example, public controversy or

cumulative effects. As noted, the issuance of an incidental harassment authorization requires that NMFS find that each individual action will have a negligible impact on the affected species. However, NMFS is contemplating the issuance of multiple incidental harassment authorizations (and BOEM multiple geological and geophysical permits) per year and, based on the information provided by the oil industry, the level of oil and gas development activities could increase substantially in coming years. As required by NEPA, when NMFS considers the combined effects on the environment (in the context of all of the relevant significance factors that NEPA and its implementing regulations identifies) of issuing multiple incidental harassment authorizations for the higher levels of activity that are projected by the oil and gas industry for upcoming years, the anticipated impacts may be significant and an Environmental Impact Statement is appropriate. If an Environmental Impact Statement were not developed now, and oil and gas companies submitted a large number of incidental harassment authorization and geological and geophysical permit applications for a particular year (which they have indicated is possible in the near future)—NMFS and BOEM could find ourselves in the position of needing an Environmental Impact Statement to comply with NEPA, and therefore needing to delay the issuance of some incidental harassment authorizations or permits while we developed one.

The purpose of this document is twofold: (1) to ensure and streamline NEPA compliance for NMFS' issuance of incidental harassment authorization and BOEM's issuance of geological and geophysical permits; and (2) to provide a decision support tool for NMFS and BOEM to better understand the likely effects of future decisions to issue or deny incidental harassment authorization or geological and geophysical permits and the effects of utilizing certain mitigation measures. The scope of the document covers a range of alternatives, as required by NEPA, that cover different levels of potential activity from a very low amount up to a much higher amount, as recommended/informed by the oil and gas industry and BOEM. The document also analyzes the effects of a large suite of mitigation measures.

Regarding interagency coordination, NMFS continued to work very closely with BOEM (as a cooperating agency) in producing the Supplemental Draft Environmental Impact Statement that is currently out for public review. For this most recent version of the Environmental Impact Statement, BOEM wrote several sections of the document and reviewed every chapter (providing substantive input on many) before it was published. BOEM also organized and participated in the public meetings for the Supplemental Draft Environmental Impact Statement. Additionally, the Environmental Protection Agency has remained involved and provided input to sections of the document for which they have regulatory authority.

Question. The Executive Order regarding Stewardship of the Ocean, our Coasts, and the Great Lakes defines Coastal and Marine Spatial Planning (CMSP) as "a comprehensive, adaptive, integrated, ecosystem-based, and transparent spatial planning process, based on sound science, for analyzing current and anticipated uses of ocean, coastal, and Great Lakes areas." The fiscal year 2012 and fiscal year 2013 Commerce, Justice, Science, and Related Agencies (CJS) appropriations bills zero out funding for CMSP.

Has the administration undertaken any efforts in fiscal year 2012 or fiscal year 2013 to develop a comprehensive, adaptive, integrated, ecosystem-based, and transparent spatial planning process, based on sound science, for analyzing current and anticipated uses of ocean, coastal, and Great Lakes areas?

Answer. NOAA has funded data integration and provided regional support for management based on sound science in fiscal year 2012 and fiscal year 2013 through on-going work in many programs areas, pursuant to legislative mandates. Data integration activities improved State and regional resource managers' access to ocean and coastal data, including making NOAA data available through ocean.data.gov, developing a decision support toolkit, and enabling regional data managers to identify standards and best practices and to build a technical community of practice around regional portal management and development.

Question. Is there any funding requested for such efforts in the President's fiscal year 2014 budget, perhaps by a different name?

Answer. The fiscal year 2014 budget does not request funding for Coastal and Marine Spatial Planning, although NOAA will continue to provide scientific support and technical assistance, pursuant to existing legislative mandates, to help States and regions advance their coastal management goals.

Question. The fiscal year 2013 Senate CJS Report notes that a Governor may ask NOAA that no Regional Ocean Partnership grants be awarded to his or her State to prevent funds from being used in contradiction to a State policy or to support activities inconsistent with a State's coastal management plan.

How will the administration implement this requirement?

Answer. NOAA will maintain its current requirement that governors support Regional Ocean Partnership (ROP) projects either through formally joining an ROP or by submitting a specific letter of support. If a governor does not want ROP funds expended in a State, then NOAA would address this request through the grant negotiation process.

Question. The Endangered Species Act continues to present serious challenges for Alaskans. With more than 20 species listed as endangered or threatened in the State, reasonable economic development initiatives on land and offshore are hampered every day. Recent listings have me worried about the direction the Federal Government is headed, in particular NOAA. On the Friday before Christmas, NOAA listed two species of ice seals as threatened based on weather predictions all the way out to 2099—86 years from now—even though their populations are healthy and not currently in decline. While I appreciate the value of preserving wildlife, which is an integral part of the Alaskan way of life, I am committed to finding ways to minimize the impacts on the State's economic livelihood.

What assurances can you provide that NOAA will not seek to designate critical habitat for these ice seal populations that currently are robust and healthy?

Answer. NOAA published final rules to list ringed and bearded seals under the Endangered Species Act (ESA) on December 28, 2012. The principal threat to these two species that was identified in the Status Reviews is the loss and alteration of habitat associated with climate change. Specifically, climate projections indicate that by the end of this century, average snow depths on sea ice will be less than the minimum needed for successful formation and maintenance of ringed seal birth lairs throughout most of the species' range. Without the protection of lairs, ringed seals, especially newborn, are vulnerable to freezing and predation. Likewise, to adapt to reductions in the extent and timing of sea ice projected by the end of this century, Beringia bearded seals would likely have to shift their nursing, rearing, and molting areas to ice-covered seas north of the Bering Strait, where projections suggest there is potential for the spring and summer ice edge to retreat to deep waters of the Arctic basin—much deeper than the habitat typically used by bearded seals for foraging on benthic organisms. These anticipated habitat changes pose significant threats to the persistence of ringed and bearded seals within the foreseeable future.

The ESA requires NOAA to designate critical habitat concurrently with listing, or, if critical habitat is not determinable at the time of listing, to do so within 1 year of listing. NOAA solicited comments and information to assist with designating critical habitat for ringed and bearded seals during a 60-day period following publication of the final listing rules. NOAA staff recently met with the Alaska Department of Fish & Game to discuss our approach to identifying critical habitat and seek feedback, and we have also discussed the process for designating critical habitat with the Ice Seal Committee (an Alaska Native organization that has a co-management agreement with NOAA). We are now preparing proposed rules to designate critical habitat that we anticipate publishing later this year. We will seek additional public comments on all aspects of the proposals, including information on the economic, national security, and other relevant impacts of the proposed designations, as well as the benefits to ringed and bearded seals from designation, before developing the final rules.

Question. There have been longstanding concerns with the science underlying the ESA listing of Steller sea lions (SSL) in the Bering Sea and Aleutian Islands, which led to NOAA requesting a formal, outside scientific review of the NMFS-prepared Biological Opinion (BiOp). In September 2012, the three independent scientists selected by NOAA released their reports with varying degrees of criticism of the BiOp, including this statement by Dr. Brent Stewart:

"Speculative and hypothetical suggestions for jeopardy and adverse modification do not, I think, meet the standard established by the Endangered Species Act to conclude that the actions have a substantial chance (likely) of jeopardy and adverse modification."

And by Dr. W. D. Bowen:

"There is no direct evidence that by removing fish, these fisheries compete with the SSL in the central and western Aleutians and elsewhere."

What steps has NOAA taken to address the findings of its own experts, and why hasn't the agency proceeded with reducing the restrictions on the fishing industry?

Answer. NOAA appreciates the input provided by the Center for Independent Experts (CIE) on our 2010 Biological Opinion on the effects of the Alaska groundfish fisheries on species listed under the Endangered Species Act. The three reviewers were selected by the CIE rather than by NOAA, which is one of the procedures we use to ensure that such reviews are truly independent. The reviewers were asked to comment on the adequacy of the best available science and on the appropriate

interpretation of that science to reach the conclusions presented in the Biological Opinion. They were critical of the Biological Opinion's evaluation and interpretation of the best available science.

NOAA is undertaking a number of new analyses in response to the CIE review. We reexamined Steller sea lion food habits data, taking into account the biases and potential inaccuracies of relying upon the frequency of occurrence of prey items in sea lion scats and considering other methods of diet study. We are evaluating the latest telemetry information regarding sea lion movements and possible foraging areas. We are completing new analyses to clarify the circumstances under which pup/non-pup ratios are useful in making inferences regarding sea lion birth rates. We are also conducting a power analysis to determine whether factors that influence Steller sea lion survival, such as fishery-induced nutritional stress, can be detected with regression analyses of fishery effort and sea lion trend data. All of this information will be used in future Biological Opinions that evaluate the effects of the fisheries on Steller sea lions.

Working with the North Pacific Fishery Management Council, NOAA is in the process of evaluating a new suite of fishery management measures for the Aleutian Islands Atka mackerel, Pacific cod, and pollock fisheries. NOAA is preparing a court-ordered Environmental Impact Statement (EIS) to examine a range of alternative fishery management measures to protect Steller sea lions while minimizing to the extent practicable economic impacts to the groundfish fisheries. We developed the alternatives in the draft EIS based upon recommendations from the North Pacific Fishery Management Council, and we released the draft EIS for public comment on May 14, 2013. We have also reinitiated consultation under section 7 of the Endangered Species Act (ESA), which will result in a new Biological Opinion that will address the issues raised in the peer reviews and address the effects of the preferred alternative on Steller sea lions. The new Biological Opinion will include a new weight of evidence analysis to evaluate whether responses observed in Steller sea lions are consistent with the nutritional stress hypothesis. We will complete the EIS by March 2014, as required by the court order, and then undertake rulemaking as needed to implement the selected alternative in time for the 2015 fisheries.

NOAA remains concerned about the fate of the western Distinct Population Segment of Steller sea lions, especially in the western Aleutian Islands where the population has continued to experience a sharp decline. Under the ESA, NOAA is required to insure that authorization of the fisheries is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of designated critical habitat.

Question. As you know, last year extreme weather and other natural events wreaked havoc on fishermen across the country, and you declared Federal fishery disasters in nine States in response to four different events. These disasters are authorized by the Interjurisdictional Fisheries Act and Magnuson-Stevens Act, and this Committee recognized that and included funding for fish disasters in December's Senate supplemental appropriations bill. I want to thank our Chair and Ranking Member for their work on that issue, but unfortunately, the funding was unfairly targeted as unnecessary or an earmark and was not included in the final supplemental package. I know you and this Committee understand that this funding is not an earmark, and it's not less important than the disaster assistance we provide other industries, such as drought assistance for farmers. But I think it's good to get that information on the record, recognizing the value of our fisheries communities and need to support them when they are experiencing the impacts of disasters recognized at the Federal level.

Will you please speak to this need, what funding is authorized, and what the funding is used for?

Answer. Fisheries are an essential part of coastal economies. They provide jobs for fishermen, fish processors, and related maritime support industries. Many coastal communities are economically dependent on fisheries.

Commercial fishermen in the U.S. harvested 9.9 billion pounds of finfish and shellfish in 2011, earning \$5.3 billion for their catch. In 2011, this industry supported approximately 1.2 million full- and part-time jobs and generated \$129 billion in sales impacts, \$37 billion in income impacts, and \$55 billion in value added impacts.

In 2011, there were approximately 11 million recreational saltwater anglers across the United States who took 69 million saltwater fishing trips around the country. These anglers spent \$4.5 billion on fishing trips and \$22 billion on durable fishing-related equipment. These expenditures contributed \$70 billion in sales impacts to the U.S. economy, generated \$32 billion in value added impacts, and supported more than 455,000 job impacts.

However, fisheries are subject to a number of factors that can cause sudden and unexpected losses, leading to serious economic impact for fishers and their communities. These factors include hurricanes and typhoons that can destroy fishing grounds and fishing infrastructure, oil spills, harmful algal blooms, and other disasters, both natural and man-made, that cause a commercial fishery to incur harm or fail. The effects of these disasters can impact coastal communities for months, or even years.

The Secretary of Commerce determines whether the circumstances of an event are consistent with relevant statutes and warrant a fishery disaster determination. Since there is no standing fund available to provide disaster assistance, such assistance is dependent on congressional action to appropriate funds for each declared disaster. Funds are administered by the Secretary through NMFS, which works with the affected State(s) to develop spending plans that consider information such as: fisheries data from State agencies; income and revenue data from fishing businesses; community needs; research and monitoring needs; environmental impacts; and infrastructure damage. The funds can then be used for a wide range of activities (in accordance with statutes and congressional guidance), including loan programs, monitoring, research, restoration, gear replacement, and shoreside fishery infrastructure, depending on the nature of the disaster and the needs of the State(s).

(All fishery statistics can be found in: National Marine Fisheries Service. 2012. Fisheries Economics of the United States, 2011. U.S. Dept. Commerce, NOAA Tech. Memo. NMFS-F/SPO-118, 175p. Available at: <https://www.st.nmfs.noaa.gov/st5/publication/index.html>.)

Question. As you know, I have long been concerned about the lack of coordinated Federal efforts to respond to marine debris resulting from the 2011 Japanese tsunami. An estimated 1.5 million tons of debris was floating in the ocean in the immediate aftermath of that disaster, and some of that debris is washing up on Alaska's shores, as well as the shores of Hawaii and the Pacific Northwest. Our constituents have found sports equipment and household items, and we all heard about the docks that washed up on Washington and Oregon's shores. The Government of Japan made a generous \$5 million gift to the United States, which is helping Alaska and the other four affected Pacific coastal States with clean-up and response efforts. However, the gift exceeds the entire annual budget for NOAA Marine Debris Program, and it is clear that a coordinated Federal effort is needed to address the anticipated level of debris still headed toward our coasts. I've called on the White House to establish a task force of all relevant agencies—including NOAA—to plan for this issue.

How will NOAA work with other relevant Federal agencies and affected States, tribes, and local governments to plan for and respond to the ongoing marine debris impacts from the 2011 Japanese tsunami?

Answer. NOAA has worked with impacted States on drafting response plans to prepare for contingencies involving large, hazardous, or unmanageable amounts of debris washing ashore. State-by-State plans address the unique natural resources and capabilities of each region. For example, the Federal and State agencies involved in drafting the Washington State plan recently responded successfully to the 65-foot Japanese dock that washed ashore in Olympic National Park. The response team included NOAA, the U.S. Coast Guard, the National Park Service, the Fish and Wildlife Service, and several Washington State agencies. NOAA will continue to support our Federal and State partners with science and coordination as needed during these types of responses, in all impacted States.

In December 2012, Japan generously provided \$5 million to NOAA's Marine Debris Program with the intent to support States' tsunami debris response efforts such as removal of debris, disposal fees, cleanup supplies, detection and monitoring. NOAA continues to work closely with the States to determine immediate needs. NOAA is providing \$250,000 to each of the impacted States (Alaska, Washington, Oregon, California, and Hawaii), and will distribute the remainder of the funds on a case-by-case basis as needs arise.

QUESTION SUBMITTED BY SENATOR LINDSEY GRAHAM

Question. Last year, I worked with your department regarding the International Trade Administration's U.S. Commercial Service (CS), and their decision to eliminate CS staff in developing countries. Through this, I learned of the department's intention to prioritize emerging economies over developing economies. While I fully understand the budgetary constraints all U.S. Government agencies currently face,

I worry such action is premature and would weaken opportunities for U.S. companies, especially in Africa.

Under the President's fiscal year 2014 budget, would any commercial service professionals be eliminated? How much would it cost to ensure no current CS officers are eliminated? How much would it cost for the Commercial Service to operate at full capacity, to include strategic developing countries?

Answer. The President's fiscal year 2014 budget request includes an additional \$40 million for Global Markets (GM), which will include the Commercial Service when ITA's internal consolidation takes effect in fiscal year 2014. GM will continue the functions and activities currently performed by CS to increase staffing in high-growth markets and to support the Administration's Asia rebalance and the U.S. Strategy towards Sub-Saharan Africa. The request would fully support our current 72 country footprint by adding officers and Locally Engaged Staff (LES) to critical markets. No current CS officers or LES would be eliminated. In fact, with the additional funding we would increase our presence from 72 to 82 countries adding seven posts in sub-Saharan Africa. Further, we would propose opening a post in Burma, expand to a second city in Indonesia, and open our first office in the Baltics.

QUESTION SUBMITTED BY SENATOR JOHN BOOZMAN

Question. Over the past decade, 7 of the 10 fastest growing economies in the world have been in sub-Saharan Africa. Demographic trends suggest that by 2050 one in four workers in the world will be African, and the continent's population will top 1 billion.

I believe that it is time for the United States to open new avenues to help American companies go head to head with their competitors in Africa. Over the last 10 years, trade with Africa from China, India, and Brazil has increased eight-fold. Over the same period, United States trade with Africa has increased by a multiple of only three. That is why I have joined with Senators Durbin and Coons to introduce legislation to create American jobs by increasing exports of U.S. goods and services to Africa by at least 200 percent in real dollar value over the next 10 years.

The eagerness and willingness to be good trade partners on the part of African nations is there. They want our goods and services because Africans know they are high quality. The desire for American products, and along with our ideals, is strong. The only thing missing is a cohesive strategy on our end. Last year President Obama rolled out his strategy towards sub-Saharan Africa and a large part of his strategy was to encourage U.S. businesses to trade with and invest in Africa. Can you discuss how the Department is implementing this pillar of the strategy?

Answer. In November, I visited South Africa to launch the Doing Business in Africa campaign. Through the President's Doing Business in Africa (DBIA) initiative, Commerce has focused on raising awareness of opportunities in Africa and promoting the U.S.-East African Community (EAC) Dialogue.

The Department is undertaking a number of efforts with the DBIA. These include: (1) increasing the number of trade missions, concentrating our commercial advocacy efforts on markets with the greatest potential, and expanding our lending activities; (2) working with organizations such as Corporate Council on Africa (CCA) and the Business Council for International Understanding (BCIU) to launch a series of Africa Global Business Summits in the United States later this year; and (3) partnering with the Association of State International Development Organizations to train economic development leaders at the state and regional levels in the United States, with a special emphasis on the opportunities and possibilities for doing business in Africa.

The U.S. & Foreign Commercial Service (US&FCS) has increased promotion of Africa as an attractive market for U.S. companies reporting 64 unique events. These include events such as webinars, procurement seminars and trade missions including one led by International Trade Administration Under Secretary Sánchez to South Africa and Zambia, in addition to my own trip in November. US&FCS in sub-Saharan Africa is characterized by its extensive Partnership Post network with 25 countries. Key Partner Post activities include implementation of US&FCS branded services, trade missions, advocacy coordination, business counseling, and coordinating International Buyer Program delegations.

Working with a team led by the Office of the United States Trade Representative (USTR), the Department is also using the U.S.-EAC Dialogue to seek private sector input on the best ways to increase trade and investment flows between the United States and the EAC. This is part of a larger partnership strategy under which trade facilitation agreements are being advanced.

Furthermore, the Department's strategy towards sub-Saharan Africa figures prominently in the President's fiscal year 2014 budget request for Global Markets (GM), which will include functions and activities currently accomplished by US&FCS. With the exception of a few core posts, US&FCS has never had a major presence in Africa. The additional funding requested in the President's budget would allow US&FCS to open seven new offices in sub-Saharan Africa. The Department would further strengthen our current offices in Ghana, Kenya, Nigeria and South Africa to handle regional issues. These 11 offices, working in conjunction with the GM's Office of Africa and with our U.S. Export Assistance Centers (domestic offices in over 100 U.S. cities), would be able to offer the full range of US&FCS services to U.S. companies including counseling, matchmaking, trade fairs and trade missions.

SUBCOMMITTEE RECESS

Senator MIKULSKI. And this subcommittee stands in recess until April 25 when we will take the testimony of NASA Administrator Charlie Bolden.

[Whereupon, at 12:10 p.m., Thursday, April 11, the subcommittee was recessed, to reconvene subject to the call of the Chair.]